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K1P 5V6

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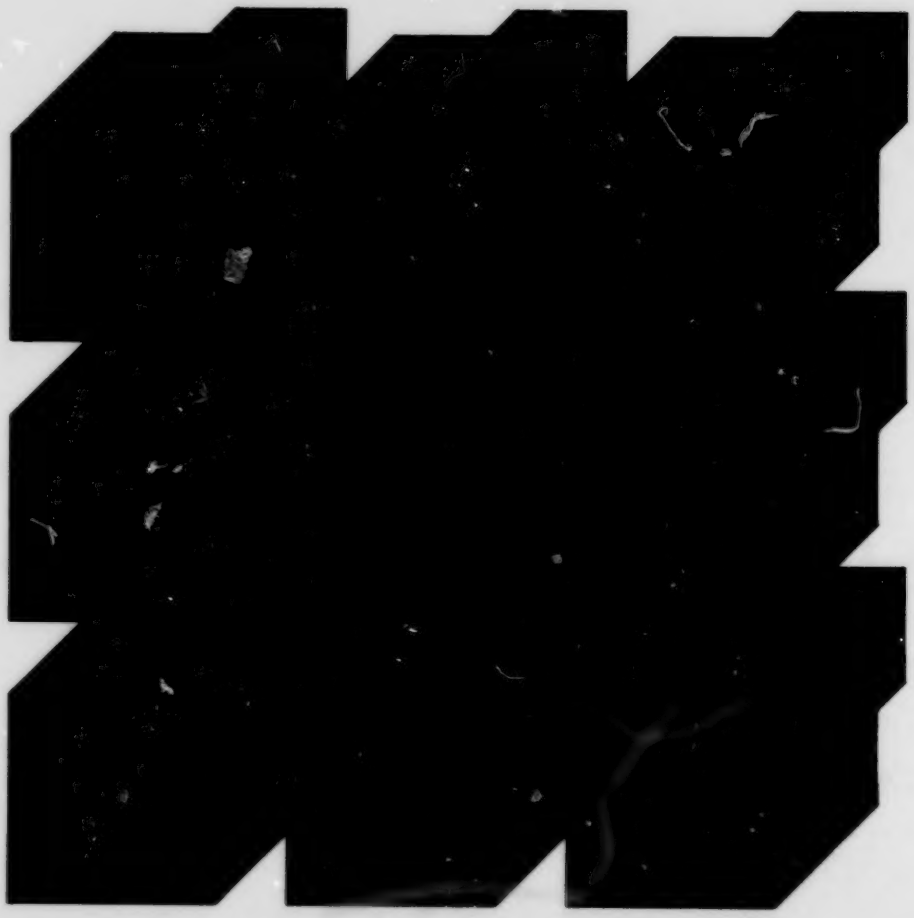
DISCUSSION PAPER NO. 329

The Origins of Government Enterprise in Canada

by

John Knubley



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Post Office Box 527
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K1P 5V6

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FOREWORD

This study was undertaken as a part of the Council's project on government enterprise. The overall aim of the project is to improve our understanding about federally and provincially owned and controlled entities which operate at arm's length from government and have important commercial functions. The project is attempting more specifically, to address two specific questions: What is the appropriate role of government enterprise as one of a number of instruments of public policy? And, second, how should the apparatus of control within government be structured so as to realize the full potential of this instrument?

The research initiated for the project has included both the examination of general questions pertaining to government ownership and the investigation of the performance of particular firms and particular sectors. The present study, which falls into the former category, was undertaken as background for the discussion of historical developments in the Council report on public enterprise. The study usefully illustrates, the complex range of factors that, over time, have influenced the decision to establish federal and provincial government enterprises.

This study was prepared while John Knubley was on the staff of the Council. Mr. Knubley is presently with the Federal-Provincial Relations Office of the federal government.

Judith Maxwell
Chairman

RÉSUMÉ

Cet ouvrage présente l'historique des entreprises d'État au Canada depuis la Confédération. Il décrit en détail les origines de certaines d'entre elles, par référence à trois différentes périodes :

1867-1929 : Les débuts de l'expansionnisme protecteur;
1930-1960 : L'entreprise d'État et le pragmatisme protecteur; et
1961-1983 : La société publique et un structuralisme modérément positif.

En exposant en détail les origines de certaines entreprises gouvernementales pour chaque période, ce Document illustre la diversité extraordinaire des activités et de la structure de ce type de société tout au long de l'histoire de notre pays :

- Le début du vingtième siècle a été marqué par le développement d'un petit nombre de sociétés provinciales de transport, de communication et d'hydroélectricité appelées à prendre une expansion considérable, ainsi que par la création, par le gouvernement fédéral, des Chemins de fer nationaux du Canada, entreprise considérable en soi.

- Entre 1930 et 1963, face à la Crise économique, à la Seconde Guerre mondiale et à la période subséquente de reconstruction, le gouvernement fédéral a fait l'expérience de l'entreprise publique comme moyen d'action. Il a dès lors donné de l'expansion à son activité existante, puis s'est tourné vers d'autres domaines, non encore explorés, comme la défense, la technologie de pointe et la gestion financière.

- De 1960 à 1983, les entreprises publiques ont essaimé dans presque tous les secteurs de l'économie. Elles se sont alors rapidement multipliées tant dans les provinces qu'au niveau fédéral. D'autres expériences dans ce domaine ont abouti à la mise sur pied de diverses sociétés publiques mixtes (telles que Télésat, la Corporation de développement du Canada et la British Columbia Resources Investment Corporation).

Pour chaque période, ce Document met en lumière différentes caractéristiques de l'entreprise publique :

- Au début, les sociétés d'État servaient d'instruments à un "expansionnisme protecteur". Les gouvernements les utilisaient pour mettre en place les infrastructures des régions éloignées du pays, et ainsi s'opposer aux menaces à notre souveraineté politique de la part des États-Unis.

- À partir des années 30, le "pragmatisme protecteur" était à l'ordre du jour. Le gouvernement fédéral utilisait alors l'entreprise publique surtout pour faire face aux pressions et répondre aux besoins résultant en particulier des crises de

cette période. Dans ce contexte, les sociétés publiques appliquèrent une politique commerciale au sens très restreint, selon le principe, cher à C. D. Howe, des ressources humaines "à un dollar par an". En fait, l'important était de produire des biens et d'appliquer des programmes pour faire face aux crises de l'époque.

- Entre 1960 et 1983, on a envisagé la société d'État dans l'optique d'un "structuralisme modérément positif". Durant cette période, les gouvernements fédéral et provinciaux ont fait davantage appel aux entreprises publiques comme moyens de développement économique, pour des raisons à la fois idéologiques et administratives. Souvent, leur but était d'utiliser les activités commerciales des sociétés d'État pour corriger des problèmes structurels de l'économie, et ce, d'une façon qui concordait avec les objectifs politiques et sociaux du gouvernement.

En guise de conclusion, le Document fournit certaines indications sur le caractère unique de l'entreprise publique canadienne. Les trois caractéristiques particulières que l'auteur a identifiées coïncident - comme on pouvait s'y attendre - avec les principaux thèmes énoncés :

- Contrairement à ce qui se passe ailleurs, l'entreprise publique au Canada est souvent "associée à l'entreprise privée". Dans d'autres pays, on substituait des sociétés publiques à des entreprises privées, tandis que les gouvernements canadiens ont généralement créé ou réorganisé de nouvelles sociétés d'État, appelées à faire concurrence à des entreprises privées du même secteur.

- Le Canada a profité, plus encore que les États-Unis et les pays européens, des avantages et la société d'État comme symbole de souveraineté et d'hégémonie. Il y a souvent eu recours pour se développer ou défendre ses intérêts contre son important voisin du Sud.

- Une des caractéristiques plus modernes de l'entreprise publique canadienne lui vient des relations fédérales provinciales. À l'intérieur du cadre fédératif, les onze gouvernements du Canada ont trouvé dans l'entreprise publique un instrument de pouvoir utile pour leurs propres conflits fédéraux-provinciaux.

Telles sont les généralisations, présentées comme conclusions, dans ce Document qui nous fournit une analyse détaillée des origines de plus de 30 sociétés d'État. Dans chaque cas, l'auteur identifie les choix qui, sous la pression des circonstances, ont entraîné la création d'une entreprise publique en particulier, en indiquant un certain nombre de raisons qui ont inspiré les décisions.

ABSTRACT

This discussion paper traces the origins of government enterprise in Canada since Confederation. The origins of selected government enterprises are detailed for three different periods:

- 1867-1929: The Beginnings and Defensive Expansionism;
- 1930-1960: Government Enterprise and Defensive Pragmatism; and
- 1961-1983: Government Enterprise and Moderately Positive Structuralism.

By detailing the origins of selected government enterprises for each period, the discussion paper demonstrates the extraordinary diversity in the scope and form of this corporate entity throughout the nation's history:

- The early twentieth century witnessed the development of a handful of ultimately large provincial corporations in the fields of transportation, communications and hydro-electricity, as well as the creation of the federal Canadian National Railway, a sizable corporation by any standard.

- Between 1930 and 1960, confronted by the crises of the Depression, World War II and reconstruction, the federal government experimented with the instrument of government enterprise. As a result, public enterprise expanded in existing fields and emerged in previously unexplored areas -- defense, high technology and financial management.

- From 1960 to 1983, the scope of government enterprise broadened even further into almost every sector of the economy. Both provincial and federal enterprises were spawned at a rapid rate. Further experimentation with this corporate entity led to various mixed government enterprises (such as Telesat, the Canada Development Corporation and the British Columbia Investment Corporation).

In each period, the discussion paper highlights different features of government enterprise:

- In the early period, "defensive expansionism" marked the origins of government enterprise. Governments used public corporations as businesses to create the infrastructure in the "frontiers" of the nation, particularly to overcome perceived threats to political sovereignty from the United States.

- Beginning in the 1930s, "defensive pragmatism" was the order of the day. For the most part, the federal government employed

the instrument of government enterprise to respond to the specific pressures and needs of the crises during the period. In this environment, government enterprises followed a quite narrowly defined business approach, under the influence of C. D. Howe's dollar-a-year men. What really mattered was that goods were produced and programs provided to meet the crises of the times.

- Between 1960 and 1983, the approach to government enterprise was what can be termed "moderately positive structuralism." During these years, federal and provincial governments used public enterprises more frequently as tools of economic development based on both ideological and administrative concepts. Often the aim was to employ the business activities of government enterprises to address structural problems in the economy, and in a way consistent with the political and social goals of the government of the day.

The discussion paper concludes by reaching for some clues to the unique character of Canadian government enterprise. Not surprisingly, the three unique features identified coincide with main themes of the paper:

- Unlike in other nations, government enterprise in Canada often represents a "partnership with business." Where other countries have used public enterprise to replace private interests in specific sectors, Canadian governments usually have created government enterprises as new or reorganized ventures competing in a sector with other private firms.

- More than both the United States and Europe, Canada has appreciated the benefits of using government enterprises as symbols of sovereignty and hegemony. As a small nation, it has frequently turned to government enterprise to defend and build the nation in the face of its large neighbour to the south.

- A modern feature of Canadian government enterprise arises out of federal-provincial relations. Within the federation, Canada's eleven governments have found government enterprise a helpful instrument of power in their own federal-provincial conflicts.

These broad generalizations are the conclusions reached in the discussion paper after detailed review of the origins of over thirty government enterprises. In each case, the discussion paper identifies the "pressured" choices that led to the creation of the particular government enterprise, and for each, the paper suggests elements of the rationale behind the policy-makers' decision to use the instrument of government enterprise.

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1 INTRODUCTION

This discussion paper traces the origins of government enterprise in Canada since Confederation. The origins of selected government enterprises are detailed for three different periods:

- 1867-1929: The Beginnings and Defensive Expansionism;
- 1930-1960: Government Enterprise and Defensive Pragmatism; and
- 1961-1983: Government Enterprise and Moderately Positive Structuralism.

Discussion of each period begins with an overview of the nation's economic, political and social development; proceeds to study the origins of selected government enterprises; and concludes with generalizations on the main features of "government enterprise" characteristic of the period.

While there is no single, commonly accepted definition of the term "government enterprise," the entities that fall under this label (e.g., Air Canada, Petro Canada, Hydro-Ontario) have a number of common characteristics. The relevant entities are all owned, or at least controlled, by a government. They have a considerable degree of operating autonomy. Moreover, they are engaged to a significant extent in commercial activities similar to those of private enterprises. In this respect, they seek a

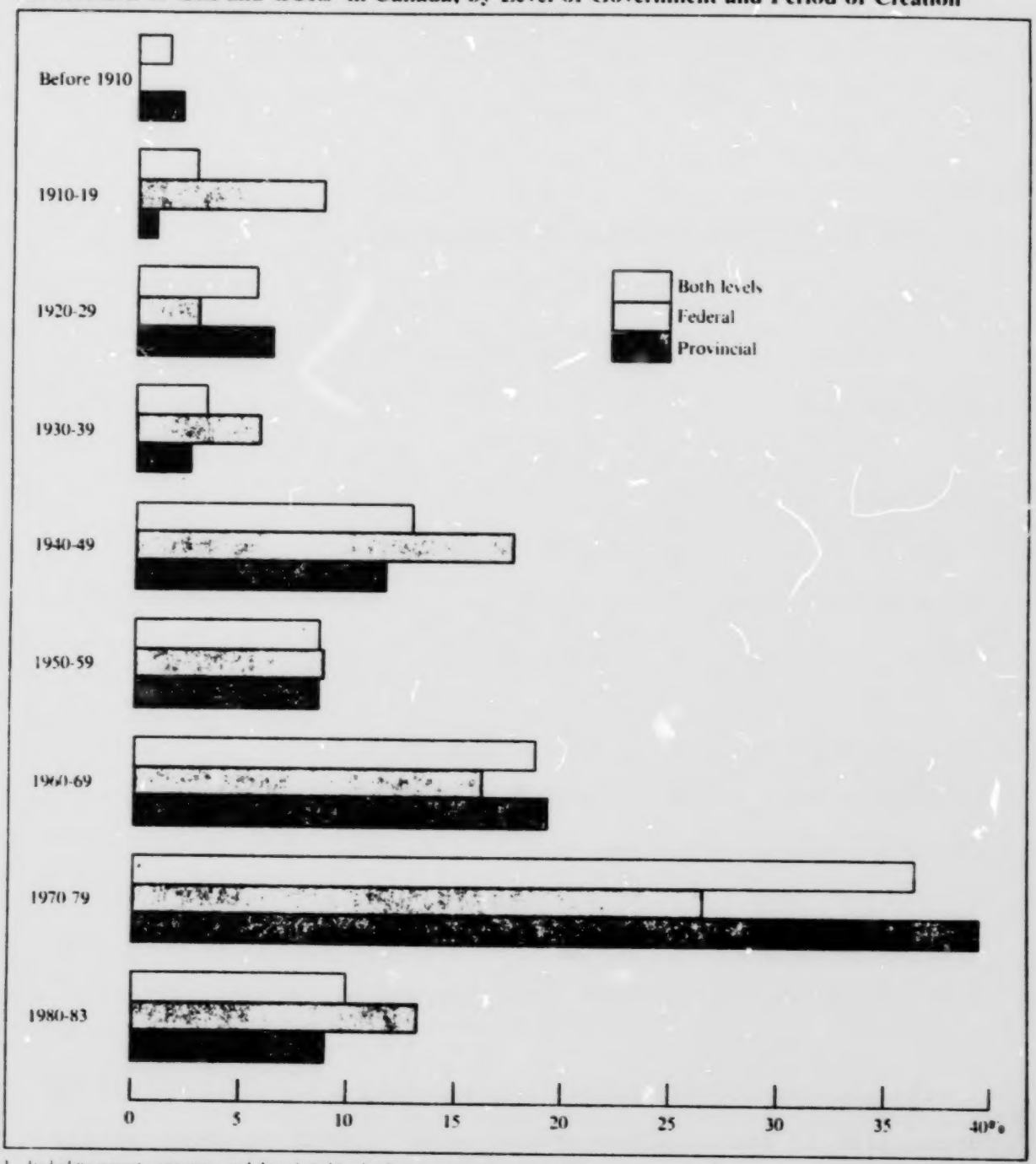
measure of profit and financial viability that is often carried out in a board style of management with corporate management techniques. Thus, studying government enterprise leads to analysis of entities with a dual personality, which reflect both commercial and public policy characteristics in their activities.

How significant a group do government enterprises constitute in Canada? There are many ways to view their size and number, but from just about every vantage point, they are significant. Government enterprises are among the largest firms in the country (10 or more frequently rank in the top 100 of all Canadian businesses). Government enterprises dominate the electric power industry and are major participants in the transportation, communications and mining sectors.

What kinds of patterns of growth can be associated with the origins of government enterprise? The creation of public enterprise started slowly at the turn of the century; grew in significance in the face of the crises of the Depression, World War II and Reconstruction; and accelerated rapidly in the 1960s and 1970s. (See Chart 1: Distribution of Government Enterprises (GEs) and Government Controlled Enterprises (GCEs) in Canada and Appendix 1: Government Corporations, by Date of Creation.)

Chart 1

Distribution of GEs and GCEs[1] in Canada, by Level of Government and Period of Creation



1 Including parent companies and directly held subsidiaries in existence as of 1983.
Source: Calculated by Economic Council of Canada from Annual Reports, Public Accounts, and Statistics Canada data.

For the three periods under consideration in the discussion paper, data calculated by the Economic Council of Canada reveal the following:

Table 1

Year of Creation of Government Enterprises

Period	Federal	Provincial	Total
	(Per cent of total for each level)		
1867-1930	11.7	9.4	10.0
1930-1960	32.4	22.8	24.9
1960-1983	55.9	67.8	65.1
Total	100.0	100.0	100.0

Source Calculated from data presented in Appendix 1.

It is clear from Table 1 what a remarkable period of growth in government enterprise occurred from 1960 to 1983. Almost two out of three government enterprises in existence today were established over this period. Moreover, in the same period, federal and provincial government enterprises grew for the first time faster at the provincial, as opposed to federal level.

With government enterprises representing a significant set of activities in the Canadian economy whose growth as been rapidly accelerating, the main purpose of the discussion paper will be to identify and describe the forces underlying their emergence and

growth. In doing so, the paper may provide some clues to the longstanding Canadian debate on the role of government in the economy and society.

Government enterprise constitutes one type of involvement by the state in the economy. As a result, a study of government enterprise can reveal how Canadian governments of all stripes have chosen to act directly in our society. At one extreme, Herschel Hardin has argued that the "public enterprise culture" of Canada is key to the Canadian identity.[1] At the other end of the spectrum, some have suggested that the inefficiencies of government enterprise have borne extraordinarily high costs and few benefits to the nation.

2 1867-1929: THE BEGINNINGS AND DEFENSIVE EXPANSIONISM

From 1867 to 1929, two features of the Canadian socioeconomic environment dominated the landscape - Sir John A. MacDonald's National Policy, and the transformation to a more complex, modern society from a simpler, neighbourhood economy.

W. A. MacIntosh has perhaps most succinctly characterized the National Policy by designating three main elements. In his view, the three basic national decisions of the new Dominion of Canada were: 1) to acquire and subsequently to settle the West as a Canadian frontier region through the promotion of immigration and agricultural expansion; 2) to cause the construction of a transcontinental railway wholly in Canada; and 3) to effect the industrialization of the Canadian heartland through protective tariffs.[2]

The broad transformation of society took various forms. Technological innovations revolutionized the fields of transportation and communications, and that provided new ways of exploiting physical energy. The period began in the early steamboat and railway age; witnessed the emergence of the telegraph and telephone; and saw the origin and growing onslaught of the automobile age. Adjusting to these technological

developments, the economy was transformed into a more diversified, industrial, and urban set of activities.[3]

These two trends were conducive to government involvement in the state. H.C.G. Aitken underlines the significant role governments played in the development of the Canadian economy during this period:

> The standard interpretation of the entire history of the Canadian economy assigns to the state a major role in guiding and stimulating development: on any reading of the historical record, government policies and decisions stand out as key factors. The creation of a national economy in Canada, and, even more clearly, of a transcontinental economy was as much a political as an economic achievement.[4]

Both trends contributed to the political and economic achievement of Canada's transcontinental economy. By means of the National Policy, the federal government defied the north-south axis of North America. It attempted to establish through tariff, transportation and immigration policies the infrastructure of a new country. At the same time, the general transformation of society produced a proliferation of government policies in the fields of marketing, labour, social services, transportation and public utilities.

In this environment, the evolution of provincial governments, considered at Confederation as minor appendages to the federal

government, occurred relatively rapidly. Their fields of jurisdiction were directly affected by the new government activities of a more diversified and urbanized society.

THE ROOTS

While government enterprise in Canada was almost entirely confined in its development to the time after 1900, there is little doubt its roots extend back through the preceding half century.

Prior to Confederation, Canadian governments were the perpetually harrassed owners and operators of canals, which served the commercial empire of the St. Lawrence. In 1841, the United Provinces of Canada made the first recorded use of public enterprise by creating a Board of Works to construct a canal system in that region.[5] Before 1867, the crown-owned company was also used in connection with the administration of harbour facilities. Only following 1867 did the management of both canals and harbours give way to a system of direct supervision by the federal Departments of Public Works and Marine respectively.[6] Departmental administration was favoured for these purposes after Confederation.

Between 1867 and 1900, railways and the federal government were closely intertwined, and that required limited government

involvement in business. For the most part, the federal government assumed a relatively passive role in the railways by providing favourable financing to the Canadian Pacific Railway and other private firms. Nevertheless, at Confederation, the government assumed ownership of the Prince Edward Island railway, and by 1876, as promised under the terms of union, it had completed and owned the Intercolonial Railway in the Maritime provinces. (As for the canals and harbours, after Confederation the federal government managed these business activities under the aegis of a department, rather than in the form of a corporation, in this case the Department of Railways.)[7]

Before 1900, municipalities were in fact the level of government that relied most on government enterprise. Prior to 1882, a few municipal waterworks had been established in Ontario. In that year, special statutory powers were given to municipalities by the provincial government, enabling them to acquire existing waterworks or to construct new ones of their own. Similar powers to buy, as well as to build gas and electrical plants were given the following year. In the following decades, almost all waterworks became publicly owned, and a majority of enterprises supplying manufactured gas fell into the hands of the municipalities. Moreover, municipalities became owners of local transportation systems -- initially electric railways and later bus companies.[8]

ONTARIO HYDRO AND THE BEGINNINGS OF PROVINCIAL UTILITIES

Ontario was a North American pioneer in public ownership of hydro-electric facilities. Many explanations have been offered to explain that role.[9] What is clear is that its pioneering role had little to do with knowledge of the instrument or ideology. Although the government of Ontario had been the owner and operator of the Temiskaming and Northern Ontario Railway since 1902,[10] the province had no particular experience in the use of government enterprise. Nor did it have any socialist political leanings favouring the use of the instrument. In fact, a Conservative government was responsible for the creation of Ontario Hydro.

In 1902 strikes in the Pennsylvania coal mines led to a public outcry in Ontario over the costs of electricity. Ontario's energy needs then were met almost exclusively by coal, and the strike closed many factories, doubling energy prices. Municipal politicians and businessmen, particularly those in southwestern Ontario, increasingly looked to Niagara Falls for a possible source of cheap power. They expressed concern, however, that the Niagara might be developed to serve the interests of big business and foreign companies. Several Ontario municipalities urged that the Liberal government of G.W. Ross examine the feasibility of a province-wide municipally operated electrical system.

Premier Ross rejected requests for provincial ownership of hydro-electric transmission lines, arguing that such an undertaking would benefit only Toronto and southwestern Ontario. He also thought competition in private enterprise would ensure the efficient provision of cheap power.[11] Nevertheless, he grudgingly conceded to advocates of public enterprise that municipalities should be permitted to engage in the transmission, generation and distribution of electrical power. Legislation to this effect was passed in 1903. At the same time, that legislation created the Ontario Power Commission to undertake an examination of the potential of municipal hydro facilities.

Before the Commission had a chance to report, the Conservatives under J. P. Whitney swept to power, ending thirty-four years of Liberal rule. In 1905, Whitney's government refused to grant further concessions to private interests at Niagara Falls. A thorough review of the power situation was called for, and Adam Beck, Minister without portfolio and advocate of public enterprise, chaired a second commission called the Hydro-Electric Power Commission. Early in 1906, both the Ontario Hydro Commission and the Hydro-Electric Power Commission reported. The Ontario Hydro Commission suggested that municipal cooperatives should be empowered to build and operate transmission lines. The Hydro-Electric Power Commission recommended the creation of a province-wide commission with powers to regulate private companies.

Public pressure for action mounted -- there was a march on Queen's Park, and in 1906 the legislature created the Hydro-Electric Commission of Ontario, later to become Ontario Hydro. Its chairman, Adam Beck, dominated the utility's development, and heavily influenced provincial politics until his death in 1925. By 1910, the utility had completed a transmission line to seven municipalities, and in the early 1920s, with the completion of the Sir Adam Beck No. 1 station at Niagara Falls, public ownership overtook private ownership in the generation of electricity.

At the outset, Ontario Hydro's form of organization was far removed from the public corporation of today. The Ontario Hydro-Electric Commission, although a body corporate in law, was designed as if it were an ordinary government department. Adam Beck was a Minister in the Ontario Cabinet. The Commission's capital budget was approved and raised by the provincial government. However, the Commission, under the stewardship of Sir Adam Beck, gradually won a high degree of autonomy. After 1914 the Commission was no longer required to pay over its revenues to the Provincial Treasurer, but allowed to retain them. The annual appropriation of funds by the legislature was quietly abandoned. Finally in 1917, the Commission was empowered to raise capital by issuing bonds on its own credit.

The development of Ontario Hydro was characterized by a number of political and economic considerations. Ontario's hydro-electric network was perhaps more dominated by one source, the Niagara, than in other provinces and states. Moreover, there was in Ontario a particularly strong movement against trusts and privately owned monopoly. The movement's roots were in the United States, where there had been a reaction to the wealth of American families such as the Morgans, Vanderbilts and Rothschilds.[12] These concerns related mostly to the potential monopolists as individuals, rather than to generic issues of monopoly.

In this environment, the problems of private monopoly in the field of hydro-electricity arose quickly into the public eye. Adam Beck supported public enterprise for Ontario's hydro-electricity by arguing:

> . . .a very great influence on the commercial development of the province will be exercised by the furnishing of cheap power. It is the duty of the government to see that the development is not hindered by permitting a handful of people to enrich themselves out of these treasures at the expense of the general public.[13]

In order to keep money from the rich and to ensure cheap power, a public monopoly was favoured.

These considerations were indicative of the kind of political struggle involved in the creation of Ontario Hydro, and indeed later hydro companies. Although there was no overtly socialist

ideology behind its creation, there were the issues of private monopoly and capitalist collusion, which led small private businessmen, farmers, as well as municipal and provincial governments to favour public enterprise. In effect, the conflict in Ontario pitted the small industrialists of towns such as London, Berlin and Hamilton against the "robber barons" of Montreal, London and New York.

Where in the United States the solution to this conflict became regulation, Canada turned immediately to public enterprise. That choice may have reflected in large part the fact that judicial safeguards protecting existing large "franchised" monopolists and ensuring a fair, workable system of regulation were not yet found in Ontario. Thus, the small industrialists could successfully achieve their goal of cheap power by mounting pressures on the government for state ownership, while the industrialists had no avenues of recourse to protect their interests.[14]

The Ontario pattern was to be repeated in other provinces, and typically with the same kind of political rivalries and intensity of pressure. The process of public enterprise often began with the creation of a provincial government commission -- usually a commission of inquiry. There were the Quebec Streams Commission in 1910, the Nova Scotia Water Power Commission in 1914, a commission of inquiry in New Brunswick in 1918, the Manitoba Power Commission in 1919 and the Saskatchewan Power Resources Commission

in 1927.[15] The next step, usually several years later, began with an authorization to the Commission or Board to participate actively in the sector, with powers to distribute and to generate electricity.

THE PUBLIC TELEPHONE COMPANIES IN MANITOBA, SASKATCHEWAN AND ALBERTA

Privately owned telephone companies pioneered the introduction of telephone systems in Canada. In all but the three prairie provinces, a system of investor-owned enterprises was developed, in which each private company was subject to close regulation either by federal or provincial agencies. The origins of the three public telephone companies primarily relate to specific problems of community development (what might be termed today "province building"), although one commentator has argued that their development was simply an act of "political opportunism."

At the turn of the century, considerable pressures for public ownership existed in the telephone industry. The pressures arose partly because of international developments. In the United Kingdom, government ownership of the telephone industry became the favoured option at the beginning of the century, after two decades of experimenting with a mixture of privately and municipally owned operations.

In Canada, the Union of Canadian Municipalities called in 1905 for federal operation of long-distance lines, comparing this

service to the Post Office. In the same year, Dominion Grange, a powerful international farmers' organization urged federal operation of trunk telephone lines "to facilitate municipal control of telephones" and to satisfy complaints about different quality of service and rates.[16] Pressures at the federal level led to hearings of a special parliamentary committee set up in 1905 by Sir William Mulock, the Postmaster-General. Ultimately, government rejected federal public ownership, even of trunk lines. It gave the Board of Railway Commissioners the powers necessary to regulate telephone rates and charges within federal jurisdiction.[17]

Public enterprise advocates in the newly formed prairie provinces continued, to press their demands, now at the provincial level. The province of Alberta was the first province in Canada to undertake government ownership of telephones.[18] At a meeting of the first legislature in 1905, following the creation of the province, the government introduced legislation to construct long distance lines. That legislation also empowered municipalities to build and operate them. In 1908, the government acquired the existing Bell telephone system. To promote expansion, it encouraged the development of municipal exchanges and rural cooperatives.

In Manitoba, municipalities in 1898 received the right to own and operate local telephone exchanges, following a specific request from the municipality of Neepawa. However, these exchanges were not entitled to connection with long-distance telephones under private control. In 1905, following similar decisions in Alberta, the government of the province embarked on the creation of a system of public ownership, "to be owned and controlled by the municipalities and government jointly." In 1907, the Bell telephone system in Manitoba was purchased. In 1912 a Public Utilities Commission was appointed in that province, and it in turn created an independent commission to operate the system, thereby separating the operations of the telephone company from the control and accounts of the provincial government.

The development of government ownership in Saskatchewan parallels that of Manitoba and Alberta. A Telephone Act was passed in 1908, which provided for the construction of long-distance telephone lines by the province to serve local exchanges owned by the municipalities. In 1909 the government purchased the Bell telephone system and two smaller organizations.

In a study of public enterprise in the Manitoba telephone system, James Mavor takes the view that public enterprise was fundamentally an act of political opportunism.[19] He indicates little real dissatisfaction existed with the performance of

private enterprise. He notes that shrewd politicians, in response to the advocacy of rural farmers groups, saw political advantage in supporting the charge that telephone rates were excessive.

However, this view does not take seriously factors relating to community development in the origins of these enterprises. It is often argued that the rationale behind these public enterprise relate directly to frontier development in the newly created provinces. H. A. Innis has stated:

> A widely scattered, highly intelligent population demanded immediately the installation of telephones on a large scale. Private enterprise in the telephone industry, accustomed to the demands chiefly of industrial areas, proved inadequate to the demands of a rural area requiring immediate expansion.[20]

In a similar vein, C. Goldenberg has said that public ownership of the telephone system in Manitoba was requisite to the economic, commercial and social needs of a new province with a burgeoning wheat economy:

> As great distances separated individual farms and settlements, the population was widely scattered. The settlers, desired living standards which might ease the isolation thus created. Furthermore, the seasons were short and time was a major factor in economic activity. With this economic background, particularly in the days before good roads and the radio, the telephone assumed great importance in the means of communication. The consequent demand for telephone service on a large scale in the rural areas could not then be adequately satisfied except by direct intervention of the government.[21]

With considerable amounts of capital investment required and with a low return on that capital investment, private enterprise was likely unwilling and reluctant to provide these services at a rate equal to the demands of immediate expansion. Public enterprise became the means to ensure the speedy development of the provinces' infrastructure and essential services. It was an integral component of early "province building."

WORLD WAR I[22]

It is remarkable that Canada established few crown corporations during World War I. For the most part, the nation carried out its war duties by means of a number of special commissions and boards, such as the Military Hospital Commission, the Natural Resources Commission, the Imperial Munitions Board, and The National Service Board. These commissions and boards were a fusion of charitable and official activities. Often the official activities took the form of information gathering and moral suasion in the areas of production, transportation, prices and trade.

Its allies were less reticent to employ the public corporation as a means for carrying out federal functions. In the United States, for example, there emerged the United States Housing Corporation, the United States Emergency Fleet Corporation, the United States Grain Corporation, the War Finance Corporation, the Spruce Production Corporation, and the Russian Bureau

Incorporated. Most of these corporations disappeared soon after the war, and the tasks of these temporary entities were returned to the private sector.[23]

The reasons behind Canada's unique path during the war are not obviously apparent. However, several factors do seem relevant. First, Canada, unlike most of its allies, was primarily a staple-producing and export economy. With a bumper crop in 1915 and the war leading to increased demand for many of its exports, Canada experienced relatively less scarcity in goods and provisions. Second, the small scale and decentralized character of industry in Canada at the time did not lend itself to centralized control. Moreover, the information available on business activities generally was not available. That lack of information was an impediment to direct government involvement in the economy.

Despite the lack of government enterprise during World War I in Canada, the country increasingly developed methods of central control over the economy as the war progressed and as consumption of stocks accelerated. The War Trade Board, created in 1918, extensively used its powers to control imports and exports. In the same year, the Canada Registration Board took a census of industrial employment as a prelude to allocation of labour to industries, an allocation that never took place because of the War's end.

In this sense, a strong case can be made that World War I did play a significant role in the growth of government in Canada. J.A. Corry has suggested:

> ...They [the activities undertaken by the federal government in World War I] increased the knowledge of the federal government about the social and economic structure of the country... Business men became familiar, if not entirely reconciled to filing returns and answering questionnaires at the request of governments. Civil servants experimented with different techniques of control and caught a fleeting glimpse of the riches of the earth. Canadians as a people became acquainted with the idea of government regulation of business and with the concept, technique, and philosophy of the social services...[24]

In short, developments during the war contributed directly to the way Canadian citizens increasingly relied on governments as agents of collective action during the dawn of the twentieth century.

PROVINCIAL LIQUOR BOARDS[25]

The history of government monopoly in the liquor industry is directly linked to the prohibition movement. Following the development and demise of prohibition in the provinces during and after World War I, provincial governments turned in the 1920s to public enterprise. Through the sales and distribution of liquor and beer, it became a means of regulating excessive consumption of alcohol. The aim was to prevent health impairment, public

rowdiness and moral degeneration. At the same time, there were the added benefits of using public enterprise as an instrument of indirect taxation to raise revenues.

At Confederation, trade in liquor and beer was hardly regulated by local authorities, if at all. Lack of regulation gradually changed in the latter part of the nineteenth century. As early as 1876 in Ontario, commissioners were appointed to regulate the trade. They were given the power to withhold or revoke licenses of vendors, and a system of enforcement was established. Other provinces, including Saskatchewan, Manitoba and British Columbia, later adopted similar schemes.[26]

The prohibition and temperance movement pushed for complete suppression of the trade. In 1864, prohibitionists had won a victory in the United Provinces of Canada with the passage of the Dunkin Act. It empowered counties, cities and towns to prohibit by popular vote retail sales of liquor within their boundaries. This power became known as the "local option", and in 1878 the new federal government of Canada passed the Canada Temperance Act, allowing localities to vote themselves "dry". In many provinces, referenda occurred. Some regions became dry, most often rural areas.[27]

The advent of World War I rejuvenated the prohibition movement. After 1914, it deemphasized moral arguments. The movement instead

stressed the need for effective citizen action during the war, and how the country could ill afford to squander large sums on liquor. By 1919, prohibition had swept the entire nation.

In all the provinces, vigorous enforcement was followed by considerable difficulties in administration. The evils of bootlegging, the manufacturing of homebrew, and the illegal procurement of liquor for medicinal purposes became major political issues. The alternative of regulating the liquor trade through public enterprise became an option.[28] In 1921, as a result of administrative problems, British Columbia and Quebec reversed their judgment on prohibition. They established government agencies with sole rights to distribute and sell liquors. By 1930, all the provinces, except Prince Edward Island, had taken similar steps.

The rationale behind the creation of these government enterprises was primarily based on the view that the costs of prohibition outweighed the benefits. To allow the sales of liquor by private firms, however, was going too far. In the case of Ontario, Premier Ferguson argued against prohibition by saying:

> Despite the vigilance and best efforts of the law enforcement officers, bootlegging flourishes and those engaged in supplying the demand for liquor are growing rich in the traffic...

> Would it not be better that this demand be supplied through properly controlled channels and the profits instead of enriching the few, be available for the extension and improvement of hospitals, education, highways and other public services.[29]

In his view, public enterprise was the best vehicle by which he could control both the distribution of goods and the collection of revenues. Profits could thereby be directed to appropriate purposes and enforcement problems could be avoided.

CANADIAN NATIONAL RAILWAYS

In Canada and other countries, government enterprise in railways has had a long and complex history. In the United States and the United Kingdom private ownership dominated railway development, while state ownership played a leading role in Europe. In Australia, Victoria created a statutory corporation for its railways as early as 1883.[30] Not surprisingly the development of the public and private transcontinental railway systems in Canada has been the subject of considerable scholarship.[31]

When analyzing the origins of the Canadian National Railways (CNR), some analysts stress its 'incremental' character. For example, the Privy Council Office's "Blue Book" on crown corporations argued:

> The creation of the Canadian National Railways and government ownership of the Company was not really as large a leap as might be supposed. The federal government had been deeply involved in the promotion, financing and regulation of railroads prior to 1919. As a consequence, although the three national railroads which were brought together under the umbrella of the CNR were nominally in private hands, the common stock held by the private sector represented a minimal cash investment and the financial responsibility for the railroads rested largely with the federal government and certain provincial governments.[32]

In contrast, others such as Alexander Brady, J. A. Corry, H. A. Innis and A. Tupper put greater emphasis on the CNR as an intrinsic element of the nation building ventures of Canada's early history. H. A. Innis eloquently states this viewpoint:

> Government ownership is the legitimate child of government support of private enterprise in the construction of railways in Canada. It is the result of a policy directed toward building a nation in the northern part of North America. It rests ultimately on the Precambrian Shield.[33]

There is no doubt that Canadian governments were actively involved as owners and financiers of the railway system prior to the formation of the CNR between 1917 and 1923.[34] The federal government owned and operated the Prince Edward Island Railway, and the Intercolonial Railway before 1900. Provincial governments were also owners of railways, including the Temiskameng and Northern Ontario Railway, and the Pacific Great Eastern Railway of the Ontario and British Columbia governments respectively. At the

same time, both levels of government used a variety of public assistance methods -- loan guarantees and grants of cash and land -- to promote private railways, which were subject to considerable scrutiny. For example, public assistance given to the Canadian Pacific Railway (CPR) to ensure the speedy completion of a wholly Canadian transcontinental railway became the subject of several scandals.

By 1900, the CPR dominated the West, but competed with the Grand Trunk in central Canada. It was also a competitor with the Intercolonial in the Maritimes. In central Canada, the Grand Trunk was Canada's senior private railway, and it dominated that region. In addition, its lines extended into the United States.

Between 1900 and the beginning of World War I, there was extraordinarily rapid expansion of the railway, aided by federal and provincial governments. The Canadian Northern Railway challenged the western highway of CPR. Its lines reached from Montreal to Vancouver, with a base in Manitoba. The Grand Trunk expanded into the West through a subsidiary known as the Grand Trunk Pacific, which ran from Winnipeg to Prince Rupert. Sir Wilfrid Laurier's government built the National Transcontinental Railway from Moncton to Winnipeg, an undertaking that has been termed "an exercise in corporate welfare".[35] The Liberal government then leased the operations to the Grand Trunk Pacific.

Three transcontinental railways existed in Canada by the time the war began in 1914, but the depression of 1913 and World War I brought a sudden halt to railway expansion. Immigration slowed, and the supply of capital from one of the main sources of financing for the railways, the European Bond Market, dried up. Construction costs increased rapidly. The railways began to fold under the burden of heavy debt, although the CPR was in a relatively strong position. Unlike the other railways, it had financed its expansion on the basis of equity capital.

The response of Sir Robert Borden's Conservative government to these developments led to the incorporation and organization of the CNR between 1919 and 1923. The spectre of possible bankruptcies left the government facing the potential collapse of important transportation links, and a likely default on the railways' bonds. A default would probably have had considerable effect on Canada's credit rating.

In 1917, The Prime Minister appointed a Royal Commission, known as the Drayton-Acworth Commission, to propose solutions to these problems. It recommended that the government take over the bankrupt railroads. Thus, in August 1917, the Canadian Northern was nationalized; and the Grand Trunk and the Grand Trunk Pacific were legislated into government hands during 1919. Arbitration to determine the assets of the firms dragged on for two years, but ultimately they became part of the CNR.

The Drayton-Acworth Commission's report was pivotal in the considerations relevant to the nature of the CNR's operations.[36] While favouring complete government ownership of the bankrupt firms, the report rejected at the outset the previous method of government control of railways, namely departmental administration. Instead, it said there was need for independence from government, and especially from partisanship and patronage in the administration of the railways. It stressed that the organization should be "non-political, permanent and self-perpetuating."[37]

In rejecting departmental administration and direct Ministerial control, the two Commissioners reviewed other forms of ownership and government participation, including mixed enterprise and a type of contractual arrangement under governmental control. The Commissioners referred to a Mexican mixed enterprise scheme. They considered this approach inappropriate for Canada, because the Canadian Railways had already been built through funds raised with the backing of the federal government. In Mexico, they noted that the private companies had raised their own capital and mixed enterprise thereby permitted the Mexican government to infuse capital into the railway system. The Commissioners also reviewed the operations of the New York Subways as an example of a contractual arrangement. They found this model lacking:

> The New York partnership scheme, however, has reference to an undertaking with every prospect of making a substantial return on the capital involved from the outset. There is no such prospect here. We have to contemplate a condition of affairs in which, for a good many years to come, the operation will not yield a commercial return on the capital already invested. A promise of the whole return, therefore, would not tempt the outside capitalist.[38]

The Commissioners did not see the bankrupt railways as financially viable in the medium-term. As a result, they could not view a contractual arrangement as a viable alternative.

The Drayton-Acworth commission considered two other options -- turning over the bankrupt railways to the CPR, and letting the three private railways go into receivership. The Commissioners dismissed these options in somewhat short shrift. However, the rejection of these options was based on a widespread and politically significant relunctance to leave all railway facilities, at least west of the Lakehead, in the hands of the CPR. Many suspected that a private monopoly, particularly in the West would lead to considerable variations in service, and in generally higher rates. They felt the history of the CPR and its scandals justified such suspicions.[39]

For these reasons, the Drayton-Acworth Commission reached the conclusion that there should be one government railway company to administer the existing government-owned railways and the three bankrupt firms. To overcome the problems of patronage and direct

Ministerial control, the Commissioners advocated that a company be incorporated through an Act of Parliament with provision for a Board of Trustees appointed by the government. They cited the example of the Australian State Railways,[40] and how this board should carry out the company's operations independent of the government on a commercial basis. They said: "We believe that the obligation to work the system as a commercial concern in competition with a well-established and well-equipped rival will be stimulus to efficient and economic management."[41]

These elements of the rationale behind government enterprise in the railway industry were subsequently confirmed in the House of Commons debates. In 1920, Arthur Meighen, shortly to become Prime Minister, commented in response to questions about the nature of CNR's organization:

> There are only two ways in which great business enterprises owned by the country can be managed, so far as I know. One is the method generally adopted when it is an enterprise of a business character, limited in scope, namely direct management under a department with the minister of the department in direct control... Another method is corporate management in the same way as business enterprises are conducted. Now while it is conceivable that the Intercolonial Railway -- as a partially business concern, but having other and bigger purposes -- may have been best managed by a department of the government in the early years of this country's history, it is utterly inconceivable that a tremendous aggregation of railways, a great system such as the Canadian National system has grown to be, could ever be conducted along that line...[42]

Corporate management was a method to which the federal government would increasingly turn in the years ahead, especially as the functions of its operations became increasingly complex and diverse.

Through the creation of the CNR, the federal government took its first major step in public enterprise, a step which was both incremental and visionary. The development of the CNR was incremental in two senses. Not only was it formed over a period of years, but also, its creation was the outcome of the cumulative effects of the federal government's transportation policies and the economic problems created by the War. Nevertheless, these same incremental policies were the very set of policies by which the federal government sought to maintain a robust transcontinental railway system. While there is no one discrete decision linking the CNR to the National Policy, the set of policies relating to its origins is clearly steeped in the visionary tradition of that policy.

These incremental and visionary elements at the heart of the origins of the CNR were also complemented by what John Baldwin has called the underdeveloped state of Canada's legal and regulatory framework. In his analysis of the origins of CNR, Professor Baldwin stresses that a crucial turning point occurred during World War I. Concern over the large operating surpluses of CPR made it increasingly difficult for the Board of Railway

Commissioners to grant rate increases for the industry in general. In his view, this eventually proved disastrous for the Canadian Northern, the Grand Trunk, and Grand Trunk Pacific, all of which had a higher burden of debt and operating costs than the CPR.

Thus, for Professor Baldwin, the creation of the CNR had everything to do with the inadequacies of the regulatory framework and a lack of recourse to legal protection for the affected firms:

> The Canadian government ... acted in what can be best called a discriminatory fashion. Whether these results were beyond the control of those in charge is not the issue. What is clear is that, in the end capital had to rely on the goodwill of the state for protection from confiscation. Reliance on such goodwill, without the protection afforded by a written constitution that guaranteed the right to private property, proved inadequate.[43]

1867-1929: DEFENSIVE EXPANSIONISM

During the period from 1867 to 1929, the role of the state as an entrepreneur appears well entrenched. An erroneous picture of Canada's pioneer era would be presented by the notion of a laissez-faire economy in which sturdy Canucks carved out their destiny in the bush. The roots of government enterprise go back even before Confederation, when governments were involved directly in the economy and public enterprise through management of canals and railways.

·The first government enterprises created after 1900 were a relatively small part of a larger private enterprise economy. The numbers of government enterprises then in existence can be counted on the fingers, although two of them -- CNR and Ontario Hydro -- eventually became very large corporations by any standard. Their activities were mainly limited to a few fields of activity, which today are considered traditional concerns of the state -- transportation and communications.

There is little doubt that early government enterprise in Canada can be linked directly to infrastructure development, or what would be called today, nation and province building. The origins of government enterprise during this period demarcate W. A. MacIntosh's three main elements of the National Policy. The provincial telephones companies in the Western provinces arose largely to address problems of frontier development. The creation of the CNR is intimately linked to the politics of a transcontinental railway system in Canada. The rise of Ontario Hydro related directly to the industrialization of the Canadian heartland.

The origins of government enterprise can equally be linked to the transformation of society. The new public enterprises were "fresh ventures"[44] and they were created almost exclusively in the fields of transportation and communications, where the world had experienced the most technological change. The major exception

was provincial liquor boards, whose development was consistent with the rise of the regulatory functions of governments in modern society.

Government enterprise was hardly a systematic set of activities during this period based on established theories of public administration or politics. To the contrary, no ideological fervour surrounded the origins of these government enterprises, making them a chosen instrument of government involvement in the economy. The early government enterprises were virtually the first experiments of public enterprise in the corporate form, and the experiments occurred at the same time as similar ones were undertaken in other countries.

The theory behind the experiments was relatively simple. Government enterprises were established as corporations because of concerns about autonomy.[45] In the case of the CNR, the report of the Drayton-Acworth Commission reveals how much importance was put on the need for "independence" of the corporation from patronage and from direct ministerial control. In the origins of other government enterprises during this period, emphasis on the need for autonomy continually arose in the pursuit of a neutral body acting in the public interest. This neutrality was deemed essential in order to overcome the pitfalls of private monopoly and the power of private interests.[46]

The means for achieving autonomy and independence were rarely discussed in detail or analyzed clearly. This was certainly true for Ontario Hydro. In the case of Manitoba's public telephone system, the means for establishing the independence of its accounts and operations were only worked out in 1912. This occurred seven years after the province had embarked on its system of public ownership. Only in the case of the CNR did any significant debate about organizational form occur.

What is perhaps unique to the Canadian approach was that such concerns about autonomy led to advocacy of public enterprise, rather than to state regulation of private enterprise, the favoured alternative in the United States. A fundamental factor in this choice may well have been the inadequacies of the nation's legal and regulatory framework. As John Baldwin has suggested, in Canada, unlike in the United States, that framework was not sufficiently developed to allow the protection of larger private firms' interests in the face of mounting pressures to redress the problems of private monopoly.

The motivating factors behind the origins of government enterprise during this period can be best characterized by the term "defensive expansionism." The term "expansionism" applies because of the links between government enterprise and infrastructure building, and the relationships between government enterprise and the social transformation of the era. The origins of government enterprise can also be described as "defensive" in

the sense eloquently developed by H.C.G. Aitken when referring to the National Policy:

> ... the overall objective... was to make possible the maintenance of Canadian political sovereignty over the territory of the American boundary: that is to say, to prevent absorption by the United States and to build a nation state that would guide its independence from both the mother country and the United States...[47]

During Canada's early history, public enterprise was a symbol of political sovereignty and hegemony, and it was used by federal and provincial governments to defend their territory from the large neighbour to the south.

3 1930-1960: GOVERNMENT ENTERPRISE AND DEFENSIVE PRAGMATISM

Three major crises -- the Depression, World War II and post-war Reconstruction traumatized this period. From 1920 to 1929 there had been considerable economic expansion in the country. The nation's population had increased by one-sixth, the real national income by one half and the volume of exports by three quarters. Considerable growth had ensued in manufacturing during the "roaring 20s" although the agricultural sector was relatively depressed throughout the period. The main sectors of expansion were hydro-electricity, pulp and paper and non-ferrous metals.[48]

The overwhelming impact of the Depression on the Canadian economy has been well documented.[49] During its contractionary phase, from 1929 to 1939, real GNP dropped about 28.4 per cent, while employment in manufacturing fell by one-fifth in the sixteen months prior to January 1931. Total exports declined dramatically. By the end of the 1930s, exports had recovered, but there were still weaknesses in agricultural products and the structure of manufacturing had developed little from its late 1920 pattern.[50]

World War II halted the evolution of the economy's recovery. It transformed the nation into a planned economy. Nevertheless, it

was essentially the planned economy that put labour, capital and land back to full capacity following the Depression years.

In the Reconstruction period, these economic gains were consolidated and Canada experienced new-found prosperity as a more mature and open economy. Following Keynesian principles, governments aimed both to create a permanent infrastructure of programs that would stabilize the economy in the post-war era, as well as to ensure a high level of economic investment and consumer demand. Commercial policy underwent significant change. No longer applicable was the strategy of seeking to protect manufacturing industries, while selectively negotiating bilateral tariff reductions for resource-intensive exports. Commercial policy was based instead on multilateral tariff reductions, the General Agreement on Tariffs and Trade (GATT), and on broader measures designed to promote free, international trade.[51]

The federal government played a dominant role in this period, largely due to a greater centralization of power. Confronted by these crises, federal responsibilities were extended for welfare programs, including family allowances and old age security. Concentration of federal financial assistance shifted in priority from railway finance to a broader set of activities in agriculture and during the 1950s, in business finance. Prime Minister Bennett's "New Deal" legislation led to controversy over the constitutional powers of the federal government. While the

planned war economy only provisionally consolidated economic powers in federal hands, the emergence of Keynesian economic principles in the Reconstruction period gave further impetus to centralization of power.

In contrast, the provincial governments' responses to these crises were limited in scope. Their resources often proved inadequate to meet these emergencies, and an ad hoc grants-in-aid system funded by the federal government began in the 1930s. Without sufficient resources, administration of programs was mainly the lot of provincial and municipal governments.

The crises produced a new wave of political thought and action. In the 1930s, prairie populism yielded an agrarian and labour alliance, which became the Cooperative Commonwealth Federation (CCF), the predecessor of the New Democratic Party (NDP). That alliance gave labour's right to bargain collectively and to strike extensive national recognition. Later during World War II, the political left enjoyed its greatest electoral success to that date in Canada, forming a government in Saskatchewan. Moreover, the Reconstruction program of the 1950s was influenced by the evolution of general social welfare concepts and a series of nationalizations in the United Kingdom.[52]

A NEW ERA

The period between 1867 and 1929 came to a close with two initiatives by the federal government symbolizing the dawn of a new era. In 1927, a subsidiary of the CNR was established, Canada National (West Indies) Steamship Limited. In the same year, the federal government created the Federal Farm Loan Board -- subsequently renamed the Canadian Farm Loan Board in 1935 and reorganized again in 1959 as the Farm Credit Corporation. These capitalize instances of federal interest in public enterprise reflected the central role the federal government would play during the crises of the new period.

The creation of the Federal Farm Loan Board was especially significant. It underlined the increasing need for federal commitment to price support and economic stability programs, issues that were to be characteristic of the period from 1930 to 1960. Under the National Policy, agriculture had been a crucial element of the nation's "defensive expansionism" and the development of the frontier. It had expanded at a rate faster than other segments of the economy. After 1920, however, the national interest in Canadian agriculture shifted. This sector expanded, if at all, at a rate below that of the economy as a whole. In addition, agriculture experienced considerable instability and volatility in price as well as in output. Thus,

special attention would be given to the agricultural sector by the federal government during the new period.[53]

CANADIAN BROADCASTING SYSTEM[54]

One of the most significant new incursions by the federal government into public enterprise occurred in Canada's broadcasting system. Early in the development of that system, government enterprise and regulatory activities were joined together under one public agency, the Canadian Radio Broadcasting Commission and later the Canadian Broadcasting Corporation (CBC). This strange mixture of two discrete activities, which today are traditionally kept distinct, characterized the broadcasting system and the CBC for decades. These dual functions gave the federal government and the CBC a predominant role in the pioneering years of radio and television.

In the decade that followed the creation in 1919 of Canada's first radio station in Montreal, a number of stations were established by private interests. These radio stations were generally found in the more populous sections of the country, and most operated only in English. In the populated regions of Canada, these stations often competed with American radio stations within range.

Despite the revolution in the communications field, public authorities in Canada paid little attention to the startling

developments in broadcasting. In the early years, a rather loose system of federal regulation existed under the Radio-Telegraph Act and the Department of Marine and Fisheries.

This lack of attention by Canadian authorities to broadcasting was in sharp contrast to developments in the United Kingdom and the United States, where two very different kinds of systems had evolved. Within five years of its regular broadcasts, the United Kingdom had adopted a policy based on the assumption that broadcasting is a significant public service, rather than an ordinary business. Following recommendations of the Crawford Committee, the British government transformed the private monopoly of the British Broadcasting Company into a public monopoly, The British Broadcasting Corporation (BBC), by royal charter. Its operations began January 1, 1927, financed by license fees paid by listeners and governed by a publicly appointed body. This governing body, said the Crawford Committee, "should not be subject to the continuing Ministerial guidance and direction which apply to government offices." It was this single public broadcasting system that remained in effect in Britain until 1954.

In the United States, broadcasting policy followed an entirely different direction. A basic decision was made about the nature of operations in 1925, following four national radio conferences sponsored by the Secretary of Commerce. The consensus, as summarized by an educationalist present at all four conferences,

was that "broadcasting in the United States should be supported by industry rather than by revenue secured by taxation." Development was to be private, not public. In February 1927, Congress passed a new Radio Act, which created the Federal Radio Commission (later the Federal Communications Commission). This Commission of five appointees had the responsibility of regulating the various private broadcasting chains "as public inconvenience, interest or necessity requires."[55]

In Canada, public authorities ultimately took interest in broadcasting policy, but well after events had transpired in the United States and Britain. On December 26, 1928, Prime Minister King appointed a royal commission on radio broadcasting, known as the Aird Commission. Its name came from its chairman, Sir John Aird, the President of the Canadian Bank of Commerce. The commissioners visited both United States and the United Kingdom. Public hearings were held across the country. Somewhat surprisingly, given the background of the commissioners, the Aird report recommended a publicly owned system with no private stations, as well as only a limited commercial interest in the form of advertising. In making such a recommendation the Commissioners departed from the previously established view in Canadian broadcasting:

> The Aird Report offered a flat rejection of the assumption which until that time had prevailed in Canadian broadcasting: that the listener was best served by a number of stations competing with one

another in any given location and sustained by revenue and advertising.[56]

Perhaps the most important element of the rationale behind this approach was the view that broadcasting had potential features, to date unrealized, which were greater than mere entertainment. At issue were "education in the broad sense," "public service," and "fostering a national spirit and interpreting national citizenship."

Several factors delayed implementation of the recommendations in the report. An election ensued, and a Conservative government under R. B. Bennett was formed. The new Prime Minister was a strong supporter of private enterprise, and had often spoken against the advocates of public enterprise. A constitutional challenge arose from the province of Quebec, questioning federal jurisdiction in these matters.

When the Judicial Committee of the Privy Council ruled in favour of the federal government's power to legislate in the broadcasting field, a public campaign ensued among various different interests. A citizens' group, headed by Graham Spry and Alan Plaunt, named the Canadian Radio League, agitated in favour of public enterprise.[57] Its strength across the country eventually became extraordinary. The Canadian Radio League linked radio broadcasting to nation building. It stressed how in the hands of private enterprise, broadcasting would be irregular and limited to larger urban centres; and, how there would be a dearth of Canadian

programs, and no national broadcasting system in the nation. Graham Spry remarked: "Here is a majestic instrument of national unity and national culture (radio broadcasting). Its potentialities are too great, its influence and significance are too vast, to be left to the petty purposes of selling cakes of soap." Moreover, the group linked private enterprise with control by American firms: "It was the state or the United States."[58]

In opposition, private interests, led by the Canadian Association of Radio Broadcasters, called for dominance of the system by privately owned stations. They argued that they would be able to provide a nation-wide network service with the help of public subsidies. They also stressed the values of a free-market system, and linked radio broadcasting to entertainment and journalism.

In response to the vigorous and succesful campaign of the Canadian Radio League, Prime Minister Bennett appointed a special House of Commons Committee to review these matters. Like the Aird Commission, the committee was ultimately sympathetic to broadcasting as an instrument of national integration. Meanwhile, Graham Spry lobbied The Prime Minister through his acquaintance with his brother-in-law, W. D. Herridge.

Under these influences, despite the Prime Minister's doubts about public enterprise, the Bennett government passed the Canadian Radio Broadcasting Act, 1932. It accorded public

enterprise a dominant position in the broadcasting system, although it stopped short of creating a public monopoly. The agency established, the Canadian Radio Broadcasting Commission, had two functions -- first, to regulate and to control broadcasting in Canada; and second, to carry on the business of broadcasting in Canada. The existing private stations were permitted to continue operations, subject to this new regulatory body. The Commission only had the power to expropriate private stations with the concurrence of the government.

In its early years, the Canadian Radio Broadcasting System encountered difficulties. As a result of the Depression and opposition from private sector interests, it nearly failed as an experiment. Nevertheless, it established a small number of stations and distributed some programs to associated network stations. No major program of private station expropriation took place.

The system's limited success led to another review of broadcasting under the new government of Prime Minister King. This review was due in large part to the Canadian Radio League. The league had remained an advocate of public broadcasting and sought greater powers for the Commission. The review led to the passage of the Canadian Broadcasting Act, 1936 which created a public corporation, The Canadian Broadcasting Corporation (CBC). The corporation was modelled on the BBC, but also invested with regulatory powers. Cited as the advantages of this type of

corporation were: more independent financing through a statutory license fee and greater independence from the government by means of management by nine board of governors. In addition, the regulatory functions gave the federal government the means to avoid nationalization of firms existing since 1920 and to satisfy listeners who favoured the American system of radio broadcasting.[59]

When creating the Canadian Broadcasting Corporation with a mixture of regulatory and public enterprise activities, Prime Minister King likely overruled the advice of the Minister responsible, C. D. Howe. Minister Howe preferred a system similar to the one established by the Australian government in 1932 where private and publicly owned stations coexisted in one system under the direction of a department.[60]

This mixture of public enterprise and regulatory functions within the Canadian Broadcasting Corporation remained in existence until 1958. Despite considerable prior debate, it was only after the advent of television, as well as the reports of the Massey and Fowler Commissions in the 1950s, that action was taken by the Progressive Conservative government of John Diefenbaker to separate the two functions. The Canadian Broadcasting Act, 1958 created a new regulatory board, the Board of Broadcast Governors, apart from the board responsible for the CBC. In doing so, it preserved one system, but established as more nearly equal the public and private components. For the purposes of their

regulations, finally the CBC and the private stations were virtually on the same terms.[61]

THE REGINA MANIFESTO[62]

The Depression led to considerable soul-searching over the appropriate role of governments. Favouring more government intervention were the League for Social Reconstruction, led by professors F. R. Scott and F. H. Underhill, as well as the populist and reformist farm groups headed by J. S. Woodsworth and M. J. Coldwell. While these groups put their faith in socialist thinking, others sought new solutions through William Aberhart's biblical prophecies and social credit theories. Generally, the two main political parties still espoused broad policies of non-intervention in business, but the Depression made it more and more difficult for any politician to justify keeping governments' hands-off the economy.

One of the more interesting documents for the history of government enterprise in Canada was created in this environment -- the Regina Manifesto. The Cooperative Commonwealth Federation (CCF), the precursor to the NDP, was organized at Calgary in August 1932 at the very nadir of the Depression. The party was composed of representatives from farmer, labour and socialist groups, including the League for Social Reconstruction and the Farm Labour Party. The first national convention of the CCF was held in Regina during July 1933. At that convention, the party

endorsed a statement of policy, which was to become known as the Regina Manifesto.

This policy document attributed to public enterprise a central role in the "establishment of a planned system of social economy for production, distribution and exchange of all goods and services." Specifically, the Manifesto called for "social ownership":

> Public utilities must be operated for the public benefit and not for the private profit of a small group of owners or financial manipulators. Our natural resources must be developed by the same methods... Only in a regime of public ownership and operation will the full benefits accruing from centralized control and mass production be passed on to the consuming public.
>
> Transportation, communications and electric power must come first in a list of industries to be socialized. Others, such as mining, pulp and paper and the distribution of milk, bread, coal and gasoline, in which exploitation, waste or financial malpractices are particularly prominent must next be brought under social ownership and operation.[63]

In this way, the concepts of economic planning and public ownership were formally introduced into the arena of political debate in Canada. The Manifesto set the ideological framework that the left in Canada would follow for the next twenty-five years. Moreover, it was the policy basis upon which the CCF party campaigned and was elected in 1944 to office in Saskatchewan.

Only in 1956, when the party adopted the "Winnipeg Declaration of Principles," were the policies of the socialist movement

publicly moderated, advocating a more mixed economy. On the crucial issue of ownership of industry, greater potential was attributed in these new principles to "public, private and cooperative enterprise working together."

THE CANADIAN WHEAT BOARD[64]

The re-establishment of the Canadian Wheat Board in 1935 was one element of R. B. Bennett's "New Deal." A number of factors convinced the millionaire Prime Minister and critic of public enterprise to don the reformist mantle. Approaching an election, the Conservatives needed a platform to stem the tide of defeat. Already the Conservative government in Ontario had fallen in the summer of 1934, and the federal Conservatives had recently lost four out of five federal by-elections in September. In addition, W. D. Herridge, Bennett's brother-in-law, became enamoured with Roosevelt's New Deal while acting as Canada's representative in Washington. He successfully influenced the Prime Minister to develop a similar platform for Canada. While Bennett's New Deal did not prevent his government's defeat, the Canadian Wheat Board endured in tact.[65]

For some time, producers had made demands for government marketing of wheat. These demands often referred to the earlier experience of the first Canadian Wheat Board, created in 1919. During World War I, wheat was traded in the early stages of the conflict through normal private channels. However, in February

1917, futures trading was suspended in the Canadian wheat industry. A Board of Grain Supervisors was empowered by Order-in-Council to fix prices, receive offers of purchase, and order railway companies to provide transportation facilities. In 1919, this board became the Canadian Wheat Board by Act of Parliament. The Act proved to be short-lived as the federal government returned the marketing of wheat to normal channels for the 1920-21 crop. Nevertheless, a public monopoly in the buying and selling of wheat functioned during four years of the war (1915-16, 1917-18, 1918-19, and 1919-20).[66]

Following the war, a drastic decline in wheat prices in the early 1920s coincided with the end of government marketing and the reopening of the Winnipeg Grain Exchange. This decline in prices led to concerted efforts to re-establish the Canadian Wheat Board. The federal government responded by passing a Canadian Wheat Board Act, 1922 and a Royal Commission to inquire into the handling and marketing of grain. The Board never became operative, and the Commission's report generally supported the private grain trade.

Lacking federal initiative, the Western producers began to set up their own wheat pools, based on voluntary participation. They were organized on a provincial basis, but were coordinated by a Central Selling Agency. Between 1925 and 1929, the Agency handled slightly more than half of all western wheat, and their success shifted debate away from the issue of the establishment of a Wheat Board to the issue of compulsory participation in the pools.

One of the first problems confronted by the new Bennett government in 1930 was the collapse of wheat prices. In 1929, the pools overpaid on their initial payments to farmers, when prices dropped dramatically. The provincial governments first stepped in to save the pools. However, as prices continued to fall, the premiers sought assistance from the Bennett government. To protect the pools from collapse, the federal government took effective control of the Central Selling Agency. Once again, the government was marketing wheat.

But this was only a temporary solution. Between 1931 and 1935 various efforts were made to dispose of Canadian wheat, while the private grain trade was left to function as it had traditionally. The federal government provided price support to farmers. It actively sought international wheat agreements. Also, there were the stabilization policies from 1932 to 1935 where the government purchased western wheat through the Central Selling Agency in an effort to bolster prices.

Despite these efforts, the Depression continued and the government acquired more and more wheat. Ultimately R. B. Bennett responded by announcing his intention to create a grain marketing board during radio speeches on his "New Deal." Legislation was introduced in June 1935. That legislation gave the Canadian Wheat Board the power to exercise a monopoly over the acquisition and disposition of grains. Several reasons for the legislation were suggested at the time. First, the price of wheat had continued to

fall to unprecedented depths. Second, surpluses had grown to an excess of 200 million bushels. Third, the Prime Minister referred to the extraordinary problems of severe drought.[67]

The legislation met with considerable opposition. The Liberals saw the need for public action, but argued that the proposed agency should not be a monopoly. Due to conflict within Parliament, the Prime Minister convened a select committee of the House of Commons to examine the legislation, which he chaired. What emerged from the committee, and what was subseqently passed into law, was quite unlike the original legislation. Rather than a public monopoly displacing the private trade, the new Wheat Board would offer to buy wheat at a set price. In effect, it was a kind of insurance scheme supplementing the market price in times of need.

When the new Liberal Government came to power, Prime Minister King and several Cabinet Ministers wanted to dismantle the Wheat Board as soon as possible. To this end, W. F. A. Turgeon was appointed in June 1936 to head a Royal Grain Inquiry Commission. When it reported in 1938, however, the Commission supported the private grain trade with the provision that due to abnormal circumstances the Wheat Board should remain. Remain it did, and in 1938, as prices fell further, the Wheat Board covered costs for the entire crop at a loss of $60 million. This loss prompted the Liberal Government to seek the means first to terminate the Board, and then to establish a floor price that would make the Board

ineffective. Both attempts failed, as considerable political opposition to these initiatives arose both within and without the party. The Canadian Wheat Board persisted, although not in the pure form of a public monopoly.

THE NATIONAL HARBOURS BOARD[68]

The maintenance of public harbours has a history that predates Confederation. Both before and after Confederation, the method of administration of the larger harbours was relatively simple. A local harbour master conducted the operations of the harbour under the loose supervision of a central department.

By the 1920s, the development of harbours across the nation made their administration more complex. Seven of the largest harbours -- Montreal, Quebec, Vancouver, Halifax, St. John, Three Rivers and Chicoutimi -- had become subject to management by harbour commissioners composed of local individuals appointed by the federal government. These commissions were corporate bodies under the supervision of the Department of Marine. Seven other harbours were administered by a commission appointed wholly or in part by the municipality in which the harbour was found: Toronto, Hamilton, Trenton, Belleville, North Fraser, New Westminster and Winnipeg. In addition, there were a number of other harbours managed by harbour masters under the direct control of the Department of Marine.

Gradually this complex system fell apart. Local pressures made it difficult to administer the harbours in a manner consistent with the national interest. Extremely high costs of maintenance were due in part to the competition among neighbouring harbours. The competition made it hard for the Department of Marine to supervise all activities. Moreover, patronage through government appointments was rampant, to the extent that each Commission often received a whole new set of appointments with a change in government.[69]

With these problems as background, the Bennett government asked Sir Alexander Gibb in 1931 to review national ports and to make recommendations on their efficiency, future requirements and administration. The Gibb Report advocated unified central management of the larger and more important harbours. Accordingly, the report recommended the appointment of port managers responsible for operations, but not for the formulation of policies. It was proposed that Advisory Councils, representative of local interests, would meet regularly with each port manager; their proceedings and recommendations would then be submitted to a central authority or Board, consisting of three members. The report urged that this Board should be responsible to the Minister of Marine, but not to the department, and that it should have wide discretionary and independent powers to set general policies in the national interest.

Some time elapsed before the federal government implemented the recommendations of the Gibb Report. In fact, the creation of the National Harbours Board did not occur until the King government came to power in 1935. A week after the King government was formed, the management and control of the seven largest harbours was placed under the authority of a board with three commissioners. The National Harbours Board Act was passed into law in June 1936. Shortly thereafter when the Departments of Marine and of Railways and Canals amalgamated into the Department of Transport in the fall of 1936, the Board was assigned to report to the new Minister of Transport.

AIR CANADA[70]

The Canadian federal government pioneered public enterprise in the airline industry. The creation of Trans-Canada Air Lines in 1937, renamed Air Canada in 1964, preceeded that of public British and Australian airways. Even so, the federal government's pioneering spirit was hardly based on a conscious decision to choose government enterprise as the favoured option. It was an option to which the government pragmatically turned after other means had failed. Immediately before the creation of Air Canada, the government hoped that the chief existing airlines, the CPR and the CNR would participate in a joint venture. Disappointed in this hope, the alternative became public enterprise.

In the 1930s, the privately owned airlines were relatively small concerns in Canada. The most developed and successful airlines served the prospectors and miners in the North. Early in the decade, Prime Minister Bennett attempted to start a domestic trans-Canada air line service. His government cooperated with the CNR and CPR to form Canadian Airways Limited. The Depression took its toll, however, on all airlines. By 1932, the government brought the possibility of a transcontinental service to an end by terminating airmail payments in order to divert federal funds into more needy causes. Between 1933 and 1936, some recovery in the airline activity occurred, but Canada's domestic airlines remained relatively inactive and small in size compared to those of other developed countries.

Despite the relatively dormant private airline industry, the federal government played a leading role in the industry from the outset. In 1932, its general authority in the field was supported in the Aviation case by the Supreme Court and the Judicial Committee of the Privy Council. The formation of the Department of Transport in 1936 was partly due to the anticipation of new responsibilities in the air industry. Already, the federal government had participated in the support of route survey and airmail flights, the development and administration of safety regulations, as well as the planning and construction of a national network of airports. Indeed, during the Depression, the construction of airports had been undertaken for the relief of unemployment.

A combination of economic and political reasons lay behind the establishment of Air Canada in 1937. Prime Minister King's government feared the inactivity of the domestic private airline industry. It thought American airlines, which were already carrying Canadian travellers and airmail, might become the effective transcontinental carriers for Canadians. These factors convinced the government that a domestic transcontinental service entirely based in Canada was required in order to develop the nation's economic and political infrastructure. When introducing the Trans-Canada Air Lines Act in the House of Commons, C. D. Howe, Minister of Transport, stated:

> Canada is perhaps one of the few countries in the world without a national scheduled air service. The air services from our centres of population to areas not otherwise serviced by transportation take second place to none, but we are woefully behind other countries in air services between centres of population... Many Canadian citizens when travelling from one point to another in Canada find they have to use the airlines in the United States... Canada is a country of vast distances and sparse population, and the time needed to travel between the west and the east is considerable under present circumstances. If that time could be cut in three or four by a new air service, the people living at the extremes of this country would be able to travel more frequently to the centres of government, business, and industry, and the interrelations of the country would thereby be facilitated.[71]

In trying to develop this national service, the King government displayed considerable impatience. Following Prime Minister Bennett's initiatives, it had tried unsuccessfully to interest the Canadian private sector in developing a transcontinental line. Potential private sector candidates argued that they could not

find sufficient capital without major government support. The government had then approached the CNR, CPR and Canadian Airways to undertake the task as partners. Both the CPR and the Canadian Airways rejected the government's proposal, mostly for reasons related to the proposed composition of the board of directors. Faced with these rejections, the government needed to find yet another alternative. In presenting that alternative, Minister Howe expressed frustration about the private sector's response:

> The companies that have started in this (transcontinental) service and have disappeared would number a score or more. Our task in Canada is to set up this service without all the lost motion that has been expended during the past ten years.[72]

The alternative chosen was public enterprise. The Trans-Canada Airlines Act, 1937 provided for the establishment of the airline as a subsidiary of the CNR. Since Mr. Howe was still negotiating with the CPR over terms of possible participation, the Act left open the possibility of private enterprise involvement. The CNR was given the power to dispose of 49 per cent of the airline's shares, subject to the Minister of Transport's approval. Nevertheless, under the Act, Air Canada was, through the vehicle of the CNR, a wholly owned public corporation of the federal government.

Several other original features of the airline are remarkable. Although the airline was not given a complete monopoly of services in Canada, it had effective monopoly of all inter-city routes.

The bush flying routes and feeder services were left to private enterprise. When discussing the Trans-Canada Air Lines Act, the government said the new corporation should be responsible for the "transContinental and main line routes, but that supplementary routes would be left to private enterprise."[73] Moreover, it was accepted at the outset that the airline would not be profitable. Mr. Howe linked profitability to its role as an instrument of national policy: "The set-up is such that the company will be protected against loss, but its profits will be very strictly limited. In other words, it is organized to perform a certain national service and it is expected that the service will be performed at or near cost."[74]

During debate in Parliament, Mr. Howe remained vague about the public or private nature of the enterprise, perhaps because he still hoped for private sector participation. Some criticized him for creating a government enterprise; others attacked him for establishing a private enterprise. One of the more surprising responses was that of R.B. Bennett, then leader of the Conservative Opposition. A known critic of public enterprise, at least before his New Deal, he advocated a thoroughgoing public enterprise monopoly. He said:

> I submit that in the light of the experience we have had in this country, if we are going into the airline business we should own it from the start, and not later.
>
> Tonight we stand in a position to create by Act of Parliament an enterprise that will have complete control of aerial navigation between the Atlantic and the

> Pacific... If we pass this measure and hand this right over, not to the Crown but to a body of shareholders... we shall be going in the wrong direction.[75]

While the nature of ownership was vague and unclear during the passage of the Trans-Canada Air Lines Act, there was little doubt in the ensuing years. No private interests agreed to participate with the government in the airline. Indeed, Mr. Howe and the Liberal government committed themselves in the following decade to the development of Air Canada as a publicly owned monopoly. In 1938, the airline was made subject to the Board of Transport Commissioners, and through this body and the Minister of Transport the government shepherded its development by ensuring competition did not occur on routes. By 1941, Air Canada had established a transcontinental service. About the same time, the CPR extended its interest in airlines, acquiring a number of companies. By early 1944, Canadian Pacific Airlines sought consent for considerable expansion. D. C. Coleman, President of CPR met with Prime Minister King to seek approval to enter international flying, and possibly other transcontinental flights. Subsequent to the meeting, Cabinet discussed the matter, and it was "unanimous as to Trans-Canada Airways maintaining monopoly in international aviation."[76]

It would not be until 1957, after the election of John Diefenbaker's Conservative government, that approval for selected international flights would be given to Canadian Pacific Airlines. That was the first real step towards a mixed public and

private enterprise airline industry in Canada, where private and public firms are today on a more equal footing.

WORLD WAR II[77]

During World War II, the federal government frequently employed government enterprise in the corporate form in order to run what was essentially a planned economy. In contrast to World War I, the government, through the Department of Munitions and Supply, established 32 crown corporations. About 230,000 people, or one-sixth of the entire working force found employment in government-owned plants.[78]

At the outbreak of the war, the Department of Munitions and Supply was created by an Act of Parliament. The Act gave extensive powers to the Minister to provide supplies and munitions related to the war effort and to fulfillment of defence projects. The department had three main elements -- production branches, controliers and crown corporations. Production branches, including the Ammunitions Production Branch and the Defence Projects Construction Branch, were in charge of contracting for and overseeing the production of war materials. Controllers were responsible for rationing, allocating and setting prices for key materials, such as chemicals, steels and oil. Crown corporations were identified in three major functional groupings: administrative and supervisory; manufacturing; and corporations that stockpiled raw materials. Coordinating the entire department

were a number of bodies, such as the Wartime Industries Control Board, which included the heads of all production branches and crown corporations involved in production activities.

The war-time government enterprises had some unusual characteristics. They lacked the autonomy and independence usually given to them. These enterprises were created pursuant to the Canada Companies Act and the Department of Munitions and Supply Act, as opposed to having their own discrete legislative mandates. Accounts were merged into the Consolidated Revenue Fund, rather than maintained separately. Moreover, they were frequently headed by businessmen, drawn from the private sector to assist in the management of essential war programs. They were the "dollar-a-year" men: current or retired executives, being paid by their corporations or from retirement income. More than ever before, economic efficiency was the goal of government enterprises -- production goals simply had to be met in order to win the war.

The Minister of Munitions and Supply, C. D. Howe, was the central planner. He made basic policy decisions, and was responsible for over-all coordination. His powers and effectiveness were renowned. He personally appointed directors and officers, frequently moving them between branches and crown corporations. By virtue of his effectiveness as a manager, the department functioned like a multidivisional corporation, with distinct yet closely interrelated operating arms. The government enterprises became known as the "C. D. Howe corporations."

Sandford F. Borins has classified the war-time public enterprises into a comprehensive list. It distinguishes between those corporations that produced some good or service, and those that were administrative in character:

World War II Crown Corporations[79]

1. Production

Defence Communications Limited
Eldorado Mining and Refining (1944) Limited
Machinery Service Limited
National Railways Munitions Limited
Polymer Corporation Limited (1942)
Quebec Shipyards Limited
Research Enterprises Limited
Small Arms Limited
Toronto Shipbuilding Company Limited
Turbo Research Limited
Victory Aircraft Limited

2. Administrative

Aero Timber Products Limited
Allied War Supplies Corporation
Atlas Plant Extension Limited
Citadel Merchandising Company Limited
Cutting Tools and Gauges Limited
Fairmont Company Limited
Federal Aircraft Limited
Melbourne Merchandising Limited
North West Purchasing Limited
Park Steamship Company Limited
Plateau Company Limited
Veneer Log Supply Limited
War Supplies Limited
Wartime Housing Limited
Wartime Merchant Shipping Limited
Wartime Metals Corporation
Wartime Oils Limited
Wartime Food Limited
Wartime Salvage Limited
Canadian Wool Board
Commodity Prices Stabilization Board

A broad set of activities were undertaken by all of these enterprises. Among those involved in production, a wide variety of goods and services were at stake. They included production of communications equipment, aircraft and jet engines, radar, uranium, ships, synthetic rubber, as well as guns and munitions. The administrative enterprises coordinated activities between the department and the private sector, ensuring the highest capacity of production possible. The activities entailed lumber supply; storage and distribution of crude rubber, raw wool, silk, and machine tools; the development of mining and oil production; commodity pricing; as well as wartime housing.

At the end of the war, the majority of the war-time public enterprises were dismantled, just as the centrally planned economy was gradually dissassembled. Nevertheless, some continued to operate, while other crown corporations were created to dispose of materials and assets as well as to group together other war-time activities into new corporate bodies.

All the administrative crown corporations were wound up. The War Assets Corporation was established to dispose of these corporations as well as materials declared surplus by departments and other crown corporations. By 1947, all but a few of more than 100 plants had been sold. The total cost of the plants was $73.8 milion and total sales revenue was $26.8 million, or 36 per

cent of cost. The War Assets Corporation ultimately recovered revenues of about $450 million.[80] In addition, some companies that had been expropriated for the production of goods and services were returned to their original owners, including the Quebec Shipyards and Toronto Shipbuilding. Other companies were sold to both Canadian and foreign purchasers, such as the Park Steamship Fleet.

A considerable number of government enterprises were retained. Eldorado Refining and Mining Limited was kept for national security reasons. After the detonation of the atomic bomb, this company was considered essential to the maintenance of adequate supply and production of uranium. Canadians Arsenals Limited was established. It enveloped six munition plants from the war and maintained capabilities to produce and develop arms. Moreover, C. D. Howe decided to keep Polymer (later Polysar) Corporation. It had established a synthetic rubber industry in Canada, when Japan had cut off natural rubber supplies early in the war. C. D. Howe was particularly proud of this company's success and its financial viability. Cabinet supported his decision to continue running the company as a government enterprise in the corporate form, despite there being no other apparent rationale for retaining it other than the firm's economic success.[81]

GOVERNMENT FINANCIAL CORPORATIONS[82]

Between 1950 and 1960, government credit and credit guarantee programs registered their fastest rate of growth in recorded Canadian history. The ratio of government assistance outstanding to Gross National Product (GNP) increased from slightly more than 4 per cent in 1950 to almost 12 per cent in 1960.[83] Government involvement in financial markets included new initiatives and programs provided by public enterprises in business, export, housing and farm finance.

The rationale and objectives of these public enterprises relate directly to the shift in policy focus at the end of the war. That shift was from a centrally planned economy to a private enterprise economy based on the Keynesian goals of full employment and income.

The "White Paper on Employment and Income" made the classic statement of the government's new objectives:

> Remunerative employment and income in any economy are provided by the expenditures which are made. These expenditures are best classified according to the channels through which the expenditures flow, viz. a) export trade... b) private investment in plant, equipment and other durable goods... c) consumption expenditures... and d) public investment in useful works... In maintaining a high and stable level of employment and income, the Government proposes to use appropriate means to influence expenditures in all channels with particular emphasis on those which are most susceptible of encouragement and control.[84]

The White Paper identified what policy instruments would be used in each area to maintain full employment and income. To stimulate exports, the federal government supported the re-establishment of multilateral trade and the reduction of trade barriers. It indicated methods designed to stimulate private investment, particularly those using the tax system.

In terms of public enterprise, public works was no longer the favoured option:

> The post-war employment problem is not going to be solved by huge expenditures on "public works"... On the other hand, it is the firm intention of the government to institute a system of managing its capital expenditures so that they may contribute to the maximum to the improvement and stabilization of employment and income...[85]

In this environment, public enterprise changed its focus from the war-time production of goods and services to either corrective or stimulative roles. The corrective role entailed identifying imperfections or gaps in the market hindering employment and income growth. The stimulative role involved encouragement of certain fundamental changes in the way the economy operates. Both of these objectives lay behind the creation of government financial corporations in business, exports, housing and farming at the end of the war.

For business finance, the most important development occurred in 1944, when the King government created the Industrial Development

Bank (IDB). This bank was established to provide medium and long term credit to small and medium size business, but only when these services were not available from private sources on reasonable terms and conditions. Initially, the IDB could lend only to "industrial enterprises" as defined in its Act. As its clientele grew, it gradually began to offer financial services to a broader group of firms. At the outset, it was a subsidiary of the Bank of Canada (which itself had been created in 1938 as a federal public corporation, following an experiment of three years as a private company with shares held by the Canadian public).[86] Later in 1974, the IDB was reorganized as the Federal Business Development Bank, a public corporation reporting to the Minister of Industry, Trade and Commerce (now the Minister of Regional Industrial Expansion).[87]

In 1944, the federal government also established the Export Credit Insurance Corporation (ECIC), which later became the Export Development Corporation. Initially under the direction of a Board composed of eight government officials, as well as of an advisory council appointed from the private sector by the Cabinet, ECIC was created for several reasons. There was concern that growth in Canadian exports would be impeded by competition from the export support programs of other countries. Upon introduction of the Corporation's Act, the Minister responsible for its activities, James A. MacKinnon, identified that at least eighteen countries had already established export insurance programs. Moreover, it was feared that the post-war resumption of export activities might

be retarded by the high risks involved in export operations and by the absence of private financial mechanisms to offset such risks. To meet these concerns, ECIC provided insurance for exporters against non-payment arising from such factors as insolvency, exchange restrictions, and political instability. In addition, it offered loans for export activities, particularly when foreign counterparts provided financial assistance to competing exporters.

In housing, the federal government replaced the Dominion Housing Act of 1935 with the National Housing Act (NHA) in 1939. The new Act provided for direct federal loans to borrowers in small and remote communities not served by private mortgage lenders. Despite this assistance, housing construction was severely restricted during the war years. As part of Reconstruction, the NHA was amended in 1944, and the Central Mortgage and Housing Corporation (subsequently named the Canadian Mortgage and Housing Corporation) was established to administer the legislation. This legislation included the activities of the Central Mortgage Bank that had been created in 1939, which because of the War, never had become operative. The Act was again revised in 1954 to provide mortgage insurance and to admit banks to the circle of approved lenders, subject to the interest rate and volume restrictions of the Bank Act.

Before the war, farm financing, like railway financing, had long been a matter of concern to Canadians. After World War I, many of

the provincial governments had established public lending agencies to complement the financial services offered by private enterprise. With commodity prices falling even before the Depression, however, these provincial schemes encountered considerable difficulties. It was in this environment that the federal government formed the Federal Farm Loan Board in 1927. Throughout the 1930s and the Depression, government financial assistance aided farmers with both long and short term lending.

Immediately after the war, however, assistance to farmers shifted in emphasis to long term lending. This shift was facilitated by the creation of loan plans under which the federal government provided whole or partial guarantees for short and medium term loans given by the private institutions. The passage of the Federal Farm Loans Act of 1944 established a government guarantee of 10 per cent of losses incurred for loans to farmers made by charter banks of up to $25,000 over 10 years. Partially as a result of the shift in emphasis, the Federal Farm Loan Board was reorganized as the Farm Credit Corporation in 1959. It soon established itself as the principal source of long term farm credit in the country.

FINANCIAL ADMINISTRATION ACT[88]

As a result of the new quantity, complexity and variety of public enterprises following the war, the government called for an

appraisal of the administration of all crown corporations. At issue were the standardization of models of creation, control and accountability, as well as the achievement of policy objectives in relation to Parliament and Cabinet. Prior to the war, the experiments in government enterprise followed no systematic approach to these matters, and the war-time developments had confused these issues even more.

After the appraisal, the federal government prepared and passed legislation, the Financial Administration Act, 1951. The Act prescribed financial procedure for all but six of Canada's crown corporations by classifying them into three categories. The Financial Administration Act identified Schedules A, B, C and D: a list of government departments proper (Schedule A); "departmental corporations" (Schedule B); "agency corporations" (Schedule C); and, "proprietary corporations" (Schedule D). The classification was based on two factors: the extent of financial independence and the general nature of the activity. The departmental corporations were ones with administrative, supervisory or regulatory functions, closely akin to an ordinary department and financed by appropriations. Agency corporations undertook trading, service and procurement operations, usually with "revolving funds." Proprietary corporations managed lending, financial, commercial industrial operations, and were normally expected to finance themselves from the sale of goods and services.

The structural elements institutionalized by this Act were several. The Act empowered Ministers to oversee the expenditure of public funds by crown corporations and to act as the individuals publicly accountable for their activities. In addition, it provided the means for some parliamentary scrutiny of activities. The major innovation was the requirement that every year each crown corporation table before Parliament its capital budget and its annual report.

In terms of the history of government enterprise, the Act is significant in several ways. For the first time, it established some administrative underpinnings to crown corporations. In essence, this classification system still applies today, although lists have been updated and revised. Moreover, it sets out in broad terms the financial responsibilities of the Minister of Finance, the Secretary of the Treasury Board and the Auditor-General. The arrangements consolidate those that had appeared separately in many of the Acts incorporating the agencies. In general, departmental managers were conferred some of the same fiscal flexibility accorded managers of public corporations.

The Financial Administration Act is also significant for what it did not do. The Act did not follow the path taken by the United States in its Government Corporations Control Act, 1945, whereby extremely tight rein was put on public corporations finances.[89]

Nor did it follow the model of the United Kingdom, which created a select committee to review nationalized corporations in Parliament.[90] Instead, the Act institutionalized features that permitted some financial independence, as well as means for a measure of Parliamentary scrutiny. It was a middle course, which left the financial and administrative independence of crown corporations intact.

ATOMIC ENERGY OF CANADA LIMITED AND THE ST. LAWRENCE SEAWAY[91]

Two other important federal government enterprises were created in the early 1950s -- Atomic Energy of Canada Limited (AECL), and the St. Lawrence Seaway Authority. The former arose out of new defense and security related tasks of World War II. The latter was a more traditional example of government enterprise in the fields of infrastructure development and transportation.

The origins of AECL begin with Canada's nuclear war program in World War II. Initially, AECL carried out secret research under the direction of the federal government. After the war, while research remained an important element of activities, commercial responsibilities were increasingly added, with considerable implications for the size of operations. C. D. Howe, then Minister of Trade and Commerce, expressed these concerns in the House of Commons:

> It is becoming increasingly evident that the Chalk River establishment has important commercial possibilities and

> that the earnings from this operation will be substantial. Obviously the growing importance of atomic energy and the very substantial capital investments being made at Chalk River indicate that the management of the operation should be segregated from other government activities and operated by a staff without outside responsibilities... a crown company type of operation can most effectively and efficiently operate this unit and deal with the manifold industrial and commercial contacts and management problems, using normal business procedures and practices.[92]

At that time, the heavy water NRX reactor in Chalk River produced plutonium for the United States Atomic Energy Commission (USAEC). In addition, "loops" were being rented to the USAEC. Earnings of several million dollars per year were the result.

With these commercial developments in mind, the government created Atomic Energy of Canada Limited in 1952 by letters patent under the Companies Act. Its main operations were those of the Chalk River Project, which it took over from the National Research Council. Its regulator was established as the Atomic Energy Control Board, of which the President of AECL became a member. At the outset, the AECL's Board of Directors consisted of a full-time President, and ten part-time directors. By 1954, Canada was launched into the building of its first nuclear power station, under the auspices of AECL. The decision to enter this field was risky, because other larger countries were well-advanced in the development of their own systems. Nevertheless, ever since, nuclear energy has been the central focus of AECL's commercial activities.

More traditional considerations for Canadian governments lay behind the decision to construct the St. Lawrence Seaway in the early 1950s. Since 1841, when private builders of the Welland Canal were bought out by the Canadian government, the St. Lawrence-Great Lakes canal system had been considered the state's responsibility. Nation building had involved the state directly in the creation of Canada's transportation network.

As early as 1921, the International Joint Commission recommended that Canada and the United States work together to construct the St. Lawrence canal. Canada's interests were always clear. By enlarging the canal, Canada would eliminate the bottleneck created by transshipping traffic twice between the Atlantic and Lake Erie at Kingston and Montreal. In contrast, the rationale for American involvement was hazy, and Congress repeatedly rejected proposals to carry out this work.

Only after World War II did the United States express interest in this project, initially because several large American corporations were keenly interested in the St. Lawrence River as a hydro power resource. Somewhat later, the Quebec-Labrador iron ore deposits were discovered. With higher grade ore deposits approaching exhaustion in the Mesabi range, the construction of the Seaway offered the attraction of establishing easy access to a source of deposits for the American iron and steel industries in the mid-West.

In 1951, faced with the prospect of further delay and continued negotiations with the United States, Parliament created the St. Lawrence Seaway Authority, a crown corporation. Although not immediately operative, it was authorized to construct a deep waterway between Montreal and Lake Erie, either wholly in Canada, or in conjuction with the United States, if Congress finally agreed to participate. The creation of the Seaway Authority at this time was largely a "bluff" by the federal cabinet, aimed at forcing a decision on United States' participation.

In the negotiations that ensued, joint participation in the development of hydro-electric power proved easier to secure than navigation improvements. In 1952, negotiations resulted in the approval of plans submitted to the International Joint Commission for hydro-electric power developments. It was only in 1954 that American participation in the construction of the canal system was supported by Congress. This occurred after considerable debate on the strategic value of obtaining a source of competitively priced high-grade iron ore from Canada by means of an improved canal system.

With these developments, the St. Lawrence Seaway Authority finally became operative in 1954. Its creation had initially been used as a ploy to exert diplomatic and political pressure on an uncooperative United States. In the end, its role was much more mundane, namely, the construction and financing of the St. Lawrence Seaway canal system.

SASKATCHEWAN[93]

Prior to 1944, public enterprise in Saskatchewan was limited to the telephone system, a power utility and the liquor board. No distinct pattern of administration had emerged. For example, the telephone utility had operated as a government department since 1908, and the power utility as an independent commission since 1929.

In 1944, the first Cooperative Commonwealth Federation (CCF) government was elected in Saskatchewan, under Premier T. C. Douglas. The Douglas government arrived in office with the specific intent of setting up selected crown corporations as part of a planned economy. Faced with the requirements of post-war Reconstruction and an economy with little industrial production, it sought to use government enterprise as a positive tool to promote economic diversification. Moreover, there was a strong sentiment in favour of public ownership in utilities and transportation. In 1949, Mr. Fines, the Provincial Treasurer, expressed these considerations:

> ... there are fields of enterprise which are clearly the concern of government. In the first place, it is the responsibility of any government to see that its citizens are able to obtain goods and services on an adequate scale, and to obtain them at a cost which does not involve exploitation. In this category one might place enterprises such as power, telephones and insurance. In the second place, in a province so largely devoted to a specialized form of agriculture, a very real duty rests upon the Government to promote the greatest possible diversification of the economy - thus

> mitigating the perils of relying too greatly on a single source of income.[94]

The fields chosen as the starting point for industrial diversification were resource and natural products based. Six crown corporations were established in these fields in 1945: Saskatchewan Wool Products, Saskatchewan Leather Products, Saskatchewan Fish Products, The Saskatchewan Timber Board and the Saskatchewan Fur Marketing Service. The aim of the government was to employ these enterprises to undertake economic activity, which created employment, and which used naturally occurring products of the province to diversify the agricultural economy.

Over the years, several reorganizations and consolidations of these corporations occurred. Saskatchewan Forest Products (1949) regrouped forest-based commercial activities; Saskatchewan Industries (1946) brought together wool and leather businesses; Saskatchewan Marketing (1949) comprised fur and fish marketing; and, Saskatchewan Minerals (1946) undertook the mining of clay products and sodium sulphate.

With the advent of bus and air travel, socialization of the transportation field became a major plank of the government. Premier Douglas remarked in 1944, "The government ultimately hopes to take over bus lines and air lines in the province. It is part of our program."[95] In 1946, the Saskatchewan Transportation Company was established. Existing bus lines were integrated, and many new areas were offered new services. During 1947, the

government created Saskatchewan Government Airways. Through acquisitions and expansion, it extended air services, particularly to the northern half of the province.

The CCF government undertook a special initiative in the insurance field, considered a "monopoly utility." To carry out its election platform, in 1944 it created the Saskatchewan Government Insurance Office. Later, in 1949, the Saskatchewan Guarantee and Fidelity Company Limited was acquired by purchase to operate as a reinsurance vehicle for that Office. In addition, the telephone and power utilities were converted into crown corporations, Saskatchewan Government Telephones (1947) and the Saskatchewan Power Corporation (1949).

The provincial government also faced the requirements of post-war Reconstruction. In 1945, the Saskatchewan Reconstruction and the Saskatchewan Reconstruction Housing Corporations were created. Their operations were directly related to the war and economic circumstances, and they were intended to last only a few years. In due course, the Reconstruction Housing Corporation was closed in 1947, while the Reconstruction Corporation completed business in 1951.

To deal with these new government enterprises, special administrative arrangements were developed. The Crown Corporations Act, 1947 was passed into law. It was a general statute defining broad powers of government enterprise and

providing legislative competence for many of the crown corporations created during the period.

Under the Act, the Government Finance Office (later the Crown Investments Corporation) was established. It was to operate as a central planning and coordinating agency, including responsibility for financial appropriations relating to capital budgets.

By creating this Office, it was hoped that the functions of operations and administration could be distinguished from policy and planning, with a clear link established for the latter to cabinet. One practice instituted to achieve this goal was that of having cabinet ministers serve as chairmen of the boards of directors of the various firms. Another was that the majority of the Board of the Government Finance Office were chosen from cabinet, thereby making the Office in effect a cabinet committee. Finally, to achieve this goal, a Select Standing Committee of Crown Corporations was established in the Legislature.

Two factors made this systematic approach to the administration of Saskatchewan government enterprises a necessity -- the sheer number of public corporations created over a short period, and the way the CCF government saw public enterprise as a tool of economic planning and diversification. These factors led the Saskatchewan government to follow quite a different path than the federal government in its Financial Administration Act. Unlike the federal government, the Saskatchewan government sought the

administrative means to ensure that the planning element of crown corporations were carefully based on political decisions and directives made from the top (i.e. Cabinet).

A special feature of government enterprise in Saskatchewan concerned the links made between crown corporations and trade unions. When elected in 1944, the CCF government encouraged the formation of trade unions in the province. Consistent with this policy, it made a conscious effort to employ crown corporations as a vehicle to develop and institutionalize the trade union movement. Government enterprises were directed to accept collective bargaining as the norm, not the exception.[96]

OTHER PROVINCES' ACTIVITY

The main public enterprise initiatives taken by the other provinces during the 1950s concerned industrial credit and loan programs. Prior to World War II, there were almost no such programs to speak of, except an industrial development fund in British Columbia, which remained insignificant in size and ultimately disappeared. After the war, many of the provinces introduced schemes for extending financial assistance for industrial development purposes. Nova Scotia introduced the Nova Scotia Industrial Loan Fund in 1944, and in 1958, the Nova Scotia Industrial Estates Limited; New Brunswick formed its Industrial Development and Expansion Board in 1956 and its Development Corporation in 1959; the Manitoba Development Fund was established

in 1958; the Saskatchewan Industrial Development Fund was formed in 1951; and the Alberta Industrial Development Corporation was introduced in 1947. By the early 1970s, every province had an agency of this kind, and most had reorganized and extended their corporations into a broader set of services.[97]

The rationale and objectives of these enterprises were similar to those of the federal Industrial Development Bank. For example, the Progressive Conservative government of Duff Roblin created the Manitoba Development Fund to provide for the financial requirements of small manufacturers, tourist facilities and community development corporations. Credit problems were thought to be special impediments to the development of these firms, and the government referred repeatedly to the existence of "credit gaps" in the financial system. Thus, the fund was empowered to lend for the purpose of providing fixed or working capital to guarantee loans, and to take equity positions in private firms. It also could assist municipal corporations in the financing of industrial parks and the provision of infrastructure.[98]

While many of these provincial corporations began operations in the 1950s, the rapid growth of their activities occurred later, primarily during the 1960s and 1970s.[99]

1930-1960: DEFENSIVE PRAGMATISM

Under the influence of the Depression, World War II and Reconstruction, federal government enterprise prospered. With its powers and responsibilities in ascendancy during this period of crises, the federal government displayed an inclination to experiment with public enterprise. The urgency of the crises between 1930 and 1960 made it very difficult for the central government to keep "hands-off" the economy, and one of the methods it employed was public enterprise. In contrast, provincial government enterprise did not expand much at all. These same crises created considerable fiscal constraints on the activities of the provincial governments, and their role was almost entirely limited to administration of existing programs during the period.

In terms of growth, no longer could the numbers of government enterprises be counted on the fingers:

- Between 1930 and 1940, the federal government moved beyond its first major experiment in public enterprise -- the CNR -- and created a number of new large public corporations (e.g., Air Canada, CBC).

- These numbers grew even more rapidly when during World War II, unlike in World War I, there was a tremendous proliferation of the number of federal government enterprises to support the war effort.

- Many turned out to be ephemeral, since after the war was over, the planned economy was largely dismantled. Nevertheless, the war-time experience with government enterprise hardly deterred the federal government from the use of this instrument in the Reconstruction period (e.g., AECL, financial institutions).

- Moreover, among the provinces, the election in 1944 of the first CCF government in Saskatchewan led to a sudden leap in the number of provincial government enterprises.

As the numbers of public enterprises grew, so too did their functions and scope. Government enterprise had developed within defined limits in the earlier period, with most activities undertaken in the transportation and communications fields, often based on monopoly considerations. From 1930 to 1960, new and large public enterprises were created in these same fields -- transportation was the focus of the National Harbours Board, Air Canada and the St. Lawrence Seaway; the establishment of the CBC recalled earlier activity in the field of communications. Beyond these more traditional functions, however, the Canadian Wheat Board added the role of price support to government enterprise, in this case for farmers. Moreover, the war effectively put no constraints on the functions and operations of government enterprise. As a result, government enterprises were involved in everything from production of jet engines and atom bombs to the storage of wool and silk. After the war, public enterprise emerged in new ventures related to defense, high technology and

financial management; financial government enterprise was developed not only in farming, business and export credit, but also in housing finance, taking government entreprise into the realm of public welfare.

In this period of crises, the development of government enterprise was mainly pragmatic, piece-meal and defensive in character.[100] For the most part, the federal government responded defensively to the pressures and special needs of the moment created by the Depression, World War II and Reconstruction. While some commentators have rejected the utility of the term "pragmatism" for describing the origins of government enterprises, the "defensive pragmatism" of the federal government can be defined usefully in a negative way:

- the government had no ideological commitment to public enterprise;
- no broad program of nationalization occurred;
- there was hardly any support for public monopoly as a matter of principle; and
- organizational concepts, if they existed at all, put little importance on the links between the public corporation and economic planning.

In the 1930s, "defensive pragmatism" was certainly the order of the day. Although the Regina Manifesto established in Canada the political theory of public enterprise as a social and economic

planning instrument, the parties and leaders in power at the federal level neither supported, nor acted upon this theory. Still, public enterprise "experiments" continued to increase in number. In these experiments, there was hardly any commitment to nationalization or public monopoly, and little rigorous thinking took place concerning organizational concepts. In the cases of the CBC, the Canadian Wheat Board and Air Canada, the government fell short of establishing public monopoly, and considerable reticence about nationalization of existing firms in the private sector led to maintenance of some private sector activity in these fields. Almost by chance, and definitely haphazardly, mixed public and private enterprise systems were established in radio, air travel and wheat marketing. In the case of the CBC, confusion especially reigned in its organizational goals. The federal government assigned at once regulatory and commercial functions to its Board.

The war-time period also reflected "defensive pragmatism." The war was hardly the result of a new ideological commitment by the federal government to economic planning. In reality, the situation was a defensive manoeuvre, which required the establishment of a planned economy in the face of extraordinary pressures to support the Allied cause.

Public enterprises played an important role in this planned economy, but organizationally much of their traditional autonomy was sacrificed to meet the day-to-day needs of the war. More than

ever before, with businessmen at their head, government enterprises were based on economic efficiency and business principles. Failure to achieve production goals had drastic ramifications for the struggle.

After the war, "defensive pragmatism" in government enterprise continued. Organizational principles of public corporations became more defined, yet this did not primarily occur for reasons of ideological commitment to government enterprise. Their sheer number demanded appraisal and classification, especially when decisions were being made about retaining or dismantling them. During Reconstruction, there was a general commitment to the re-establishment of the private enterprise economy and there was a sense of urgency about it. In this environment, Keynesian principles defined limits to government enterprise activities, emphasizing how they should complement private sector markets. It was not surprising therefore that when the federal government introduced its Financial Administration Act in 1951, little stress was placed on how public enterprise should be linked to political and economic planning. The Act rejected strict political and financial controls, leaving to managers the making of their own decisions based on market signals.

This emphasis on independence and flexibility reflected a general shift in thinking about government enterprise. In the earlier period and even in the 1930s, discussions about government enterprise stressed the way its managerial autonomy allowed public

corporations to be placed beyond the reach of partisan politics. During the war, however, the corporate form became attractive for meeting the extraordinary demands for war-time goods and services -- as such it was an organizational entity that fit best with the skills of the private sector managers at the head of the new government enterprises. This "businessman's approach" continued to permeate the activities of government enterprise following the war, due in large part to the considerable influence of C. D. Howe. Under this approach, emphasis was on the output of these independent corporate entities and how they permitted managers to avoid the constraints of central personnel and fiscal controls in the large bureaucracy of the federal government.[101]

Despite the piece-meal character of the development of government enterprise during the period, the links between national development themes and government enterprise remained strong. In the origins of the CBC, Air Canada and the St. Lawrence Seaway, links were directly made between the need for public enterprise and the development of national infrastructure. The CBC added a new cultural dimension to these nationalist themes. The rationale for public participation in the establishment of a national broadcasting network was based not only on economic and political considerations, but also on the need to develop the cultural milieu of the country. A new international element to Canada's nation building was brought by the St. Lawrence Seaway through its joint Canadian and American construction. In addition, the post-war public enterprises with

defence-related responsibilities were linked to national development themes. When public corporations mined and refined uranium, or produced nuclear power, they aided not only Canada's defense capabilities, but also the nation's economic and technological infrastructure.[102]

Yet these national development themes had gradually changed in character during this period of crises. Under the National Policy, national themes were essentially inward-looking, emphasizing the frontier and the east-west axis within a protected Canadian economy. Increasingly, between 1930 and 1960, these themes became more outward-looking. After the war, for example, the emphasis was put on the development of an international trading system from which Canada would benefit as a more mature, open economy.

The creation of several new public enterprises reveal this new international tenor of national develoomment themes. The St. Lawrence Seaway project had an international dimension because of its joint Canadian and American construction, and because one of the motives behind its construction was the opening up of international markets to Canadian goods, specifically the mid-West United States to Canadian high-grade iron ore. Moreover, the public financial corporations in business and export credit were developed in the context of the new international trading system. The loans and credit programs were designed to stimulate the development of competitive Canadian firms capable of exports. In

addition, the defense-related government enterprises were formed as a result of international defense commitments to the Allies. After the war, their commercial markets were as much outside Canada, as within.

4 1960-1983: GOVERNMENT ENTERPRISE AND MODERATELY POSITIVE STRUCTURALISM

The decade of the 1960s began as that of the 1980s. A recession hit the Canadian economy hard and unemployment rates reached a post-war high. There were widespread worries about technological change, productivity growth and unemployment.

The recession of the early 1960s was followed by a long period of economic growth and prosperity. Even taking into account the effects of that recession, annual real growth rates averaged over 5 per cent throughout the 1955 to 1975 period. The Auto Pact and the tariff reductions undertaken through the General Agreement on Tariffs and Trade contributed to a more specialized and open economy.

Unfortunately, as the 1960s came to a close the spectre of inflation loomed even greater and by 1975 a period of economic stagflation had set in: real growth slumped; unemployment rose; real oil prices underwent a four-fold increase; commodity prices were higher; and despite next-to-zero productivity gains, negotiated annual wage increases were 20 per cent or higher. Not surprisingly, Canada's economic performance was quite weak, with the second round of oil price increases in 1979 sparking a worldwide resurgence of inflation. In the face of sharply rising interest rates, recession occurred in 1980 and again in 1981.

Concerns about social opportunity and security marked the 1960s. The Diefenbaker government undertook measures in the early part of the decade to improve education and job skills, as well as to help the poor and disadvantaged. These measures led to programs in agricultural and rural development, hospitalization grants, and old age pension increases. In the mid 1960s, amid buoyant optimism about economic prosperity and potential, the Pearson government launched several major policy initiatives, including the Canada Pension Plan, Medicare, further old-age security increases and more federal assistance to higher education and manpower training. Regional development policies took on added importance in this environment.

Since most of these programs and policies centred on activities primarily within provincial jurisdiction under the British North America Act, much of the decade was spent seeking "cooperation among governments." To a large extent that cooperation was achieved, as the federal government loosened its fiscal coffers through more generous tax agreements with, and equalization payments to the provinces.

From the early 1970s to the present, policy-making once again confronted the problems of economic scarcity and inflation. Policies were developed to control prices and incomes. Social programs were subjected to constraints in order to redeploy tax dollars and to reduce deficits. Despite these efforts, expenditures at the federal and provincial levels continued to

mount more rapidly than revenues. Redistribution and regional disparities became topical issues of the day. In this environment, federal-provincial relations deteriorated, and the era was marked by conflict over constitutional and natural resource issues. Partly in response, the federal government advocated "new nationalist policies" which affected foreign investment, Canadian ownership in the energy sector, equalization payments and the funding of social programs.

A NEW ERA

The Saskatchewan experience beginning in 1944 offered a marked contrast to the "defensive pragmatism" of the federal government. The CCF government of T. C. Douglas made an ideological commitment to economic planning and government enterprise. It sought to use public enterprise as a positive tool of economic diversification, and it advocated public monopoly in power, insurance, telephones and transportation. In carrying out policies to this end, some nationalization occurred. The administrative theory developed by the CCF government to cope with the creation of a number of government enterprises focussed on the issue of political control, and how to ensure that planning was linked to directives from Cabinet.

Many of these developments in Saskatchewan foreshadowed the 1960 to 1984 period. While not necessarily couched in such ideological terms, the use of government enterprise as a positive economic

instrument, as well as the emphasis on political control of public corporations' activities were all important issues that became more common place in the 1960s and beyond. In addition, the growth of government activities, which first occurred in Saskatchewan subsequently took place in other provinces. In the 1960s and 1970s, the number of new provincial government enterprises would match that at the federal level. The Saskatchewan experiment was an omen of developments to come.

QUEBEC[103]

For Quebec, the year 1960 symbolized a significant change in the province's cultural and political history. Prior to that date, "anti-étatisme" had been the watchword.[104] The church and state, especially the Union Nationale government of Maurice Duplessis, had combined to stress individualism, a Catholic collective set of values, as well as the benefits of agriculture and private enterprise. After the election of Liberal Premier Lesage in 1960, the so-called "Quiet Revolution" began. Confronted by the recession of the early 1960s, the Liberal government made nationalism a main theme of Quebec politics. Two elements were central to the Quiet Revolution: first, the government was committed to modernizing Quebec society into an urban culture; second, the government desired to increase francophone control over the province's economic and political resources. To achieve such institutional and structural changes, the role of the state

took on more significance, and government enterprise played a central part in that role.

The nationalization of Hydro Quebec was one of the more dramatic steps taken by the Lesage government, certainly the most significant in terms of government enterprise. René Levesque, as Minister of Natural Resources, undertook a broad campaign to develop support for public enterprise in the hydro-electric industry. The slogan was "Maîtres chez nous," a slogan that today symbolizes this era in Quebec's history. An election ensued over the issue.

The development of the hydro-electric industry in Quebec before 1960 has been termed an "environment of infettered private enterprise."[105] Hydro-electricity's early development in Quebec was based on a system of long term leases to firms for water rights. With time constraints and nonfulfillment clauses built into the leases, the government had the means for limited control. The early private enterprises were mostly American, as elsewhere.

During the 1930s, considerable criticism of private monopoly arose, and in 1935 a Royal Commission was established to examine the issue. Its recommendations, however, rejected public ownership and advocated the establishment of the Quebec Electricity Commission. The Duplessis government elected in 1936 denounced the "electricity trust," but made few substantive policy

changes. Only in 1944 was the first real step taken towards public enterprise when Premier Godbout's Liberal government expropriated Montreal, Light, Heat and Power. Even then, Premier Godbout professed commitment to private enterprise throughout the industry. The focus of this attack (as it had been in Ontario) was on private monopoly, not private enterprise. Moreover, even after expropriation in 1944, most of the power generated in the province stayed in the hands of private American firms: "76 per cent of the power generated in 1929 was by American owned firms, and despite the expansion of Hydro-Quebec after 1944, over 60 per cent remained in 1962".[106]

During the 1960 election campaign, Premier Lesage and other Liberals stressed the importance of an active role for the state in natural resource development. When his government came back to power, a new Department of Natural Resources was created. The government immediately granted Hydro Quebec rights of ownership to all water powers not conceded to private enterprise. Beginning in February 1962, René Levesque, the Minister of Natural Resources, campaigned throughout the province in favour of public enterprise in the hydro-electric industry. Amid rumours of discord within Cabinet, the intention to nationalize private hydro-electric firms was made public by the Premier on September 20, 1962, and in the same breath, it was announced that a provincial election would be called to decide the issue. That election was won by the

Liberals, and by March 1963 the nationalization of firms was complete.

The government's rationale behind these developments comprised two main elements. The first element emphasized economic concerns -- network integration and investment coordination. Stated objectives of the government were:

> l'unification des services et des tarifs, la dimunition des frais fixes, la coordination des investissements, l'usage optimum des ressources hydrauliques, l'intégration des résaux, la création d'un vaste pouvoir d'achat au profit du Québec...[107]

Behind this objective were criticisms of the way private enterprises had offered poor service in various regions and unacceptably high rates.

The second element stressed the need for Quebec and francophone control over the industry. Premier Lesage said:

> Nationalization of electricity in a complete fashion will, let us not forget, enable Quebec because of the richness of its hydro-electric resources to become the most powerful province in Canada and it will also enable Quebecers, at the same time to become the masters of their economic development instead of being, as they have been too often, spectators of the activities of others.[108]

For the government, Hydro Quebec symbolized commitment to the economic development of the province, including the evolution of a

cadre of francophone managers. At that time, most private enterprise in the province was associated with "English management and managers."

The Lesage government took a number of other initiatives in public enterprise as part of the Quiet Revolution. Before 1960, Quebec had only twice used the instrument of public enterprise, its liquor board and an agricultural credit office. Under the Lesage government, a considerable jump occurred in the number of Quebec public corporations:

- In 1963, following the lead of other provinces, Quebec created an investment corporation, "la société générale de financement" (S.G.F.). Its mandate was to stimulate industrial development through medium and long term credit for firms, as well as equity participation.

- The Lesage government founded "la sidérurgie du Québec" (Sidbec). Its stated objectives were to develop steel-making in Quebec, and to increase the value added of iron ore exports from the province.

- The Lesage government created "la société d'exploration minière" (Soquem), whose mandate was to promote mineral exploration and to collaborate with private enterprise in that development.

- The Quebec government established "La caisse de dépôt et placement" (CDP), based on the model of la caisse de dépôts et consignations de France. Its goals were to invest the funds assigned to it in the best way possible, and to make these investments with the development of the Quebec economy in mind.

Since the defeat of the Lesage government in 1966, Quebec governments have continued to develop and to rely on public enterprise. From 1966 to 1976, the more conservative Quebec governments became active in the lottery business, mortgage loans and credit, radio broadcasting (Radio Quebec, 1968) and a health insurance program. Moreover, in 1973, la "société de recupération et d'exploration forestière" (Rexfor) was created. It grouped together most government operations developed by the province in the forest sector during the 1960s, and it aimed to make further inroads into the largely private enterprise system of the Quebec's forest industry.

In 1971, the Quebec government created "la société de développement industriel" (SDI). It was designed to complement the SGF's operations by undertaking loan and credit operations, while learning the task of equity participation to SGF. Its mandate stressed the need to put greater focus on small and medium-size business.

When established in 1969, "La société québécoise d'initiatives pétrolières" (Soquip) was the first wholly owned government petroleum corporation in North America.[109] Its task was to accelerate the exploration, production, transportation, refining and distribution of hydro-carbons in the province, although its operations eventually focussed simply on exploration. In reality, there was little possibility of conflict anticipated with private enterprise when undertaking petroleum explorations in Quebec, since the province's prospects for oil and gas discoveries had always been low.

Since the election of the separatist and social democratic Parti Québécois government of René Levesque in 1976 (PQ), there have been surprisingly few new public enterprises created. Nevertheless, it did nationalize the asbestos operations of the American firm, General Dynamics Limited and start "la société nationale de l'amiante."

There is little doubt that the PQ government has used the vehicles of the SDI and the CDP as positive instruments of economic development. Moreover, Quebec, perhaps even more than other provinces, has become involved under the PQ in many forms of mixed enterprises. Stating development of the Quebec economy as the goal, small and medium size firms have been identified and supported in the province through the investments and equity participation of public corporations.

What is perhaps most remarkable about the Quebec experience with public enterprise has little relation to matters of ideology. As in the origins of Canada's early government enterprises, what was a particularly strong element of the development of Quebec government enterprise in the 1960s was its community building or province building character. Public enterprise symbolized the commitment of the Quebec people to greater francophone participation in, and control over, the province's economic destiny. Only initially was it limited to natural resource development as well as to various loan and investment programs. Thus, public enterprise came to be frequently designed to establish an infrastructure for the further economic development of the province. In these respects, the growth of public enterprise in Quebec during the 1960s was reminiscent of the "defensive expansionism" of the early Canadian period.

BRITISH COLUMBIA HYDRO[110]

Just prior to the nationalization of Quebec Hydro, Premier W.A.C. Bennett shocked and angered financial establishments across the country. Known as an exponent of the private enterprise system, he introduced in 1961 an Act to take over the B.C. Electric Co. Ltd. At the time, this company was by far the largest electric utility in private hands with a takeover value of $680 million. B.C. Power refused the government's initial offer, but after a long and costly court battle, the final payment for

its assets was $197 million.[111] Later in August 1962, the B.C. Electric Commission and the recently nationalized firm were joined together into a public crown corporation, known as the British Columbia Power and Hydro Authority.

Premier Bennett's public statements indicate only one reason for the takeover -- the intransigence of successive federal governments in continuing to impose federal income tax on the profits of privately owned utilities, while provincially owned counterparts were free from such taxes. The Premier suggested that representations against this tax policy had been made to various federal governments in 1957, 1959 and 1960. Although not publicly available, these representations apparently threatened nationalization of the hydro-electric industry, unless the tax was eliminated, or alternatively, unless the proceeds were directed to the B.C. government.

However, another reason for the takeover appears obvious. Premier Bennett was publicly committed to the development of two mammoth projects -- the Peace River and the Columbia River developments. British Columbia Electric was not enamoured of these projects, and had not cooperated as much as the Premier would have liked. Since the buying of power was a prerequisite to the financing of the large projects and a construction start, the takeover permitted the Premier to establish once and for all control over that factor.

The creation of B.C. Hydro is notable in several ways for the history of government enterprise. In the takeover, public enterprise became the vehicle by which the Premier resolved a conflict between his province and the federal government. Although an advocate of private enterprise, he saw it as a means to resolve the conflict after other more traditional methods had failed. Public enterprise was also used as a method for eliminating an impasse preventing financing of some large projects dear to Premier Bennett's vision of the province's economic development. To achieve this goal, the Premier was willing to nationalize at considerable cost and effort, despite his own strong general commitment to private enterprise. In the hands of W.A.C. Bennett, public enterprise was a positive instrument employed for specific purposes that went well beyond broad infrastructure development.

PROVINCIAL ENTERPRISE IN HOUSING AND FARM FINANCE

Provincial governments entered the field of housing assistance and reentered the field of farm assistance in the mid-1960s. By 1976, every province had a housing corporation, today the largest of which in terms of assets are respectively, the Ontario Housing Corporation, la société d'habitation du Québec and the Alberta Home Mortgage Corporation. By 1973 all provinces had loan and farm assistance corporations or boards. In general, the development of these corporations typifies the cooperative

federal-provincial arrangements characteristic of the 1960s and early 1970s.[112]

Prior to 1964, provincial jurisdiction over housing was administered by the municipalities. They regulated the use of land, provided sewers, water supplies and roads, while these activities were primarily financed by a combination of federal-provincial grants and loans. In 1964, when federal policy shifted its focus to "social housing," where the emphasis was on affordability, the National Housing Act offered new terms for public housing, financed under various cost-sharing programs. This reorientation of federal activities led to the formation of a number of new provincial corporations whose major goal was to maximize the flow of federal money to the provinces under cost-sharing programs. Between 1970 and 1980, provincial loans for housing grew at a compound rate of 57.5 per cent annually.[113] Since 1978, in response to needs for fiscal restraint, the federal government has discontinued many of these cost-sharing programs. Not surprisingly, the growth of provincial activities in the housing field has simultaneously been curtailed.

In the agricultural sector, provincial programs for farm assistance, which originated between the two wars, largely became inoperative by the end of the 1950s. Following the lead of the federal Farm Credit Corporation, a new breed of provincial farm financial corporation was established across the nation in the

1960s and 1970s. Today, the largest in terms of current loans and assets are Quebec's Office du credit agricole, the Alberta Agricultural Development Corporation and Manitoba's Agricultural Credit Corporation. As in the Farm Credit Corporation, they mainly provide credit programs to promote development of new agricultural activities.

PROVINCIAL DEVELOPMENT CORPORATIONS[114]

During the 1950s, the first provincial development corporations were formed. In the 1960s and 1970s, these corporations proliferated with every province creating at least one agency of this type. Some of the original corporations were reorganized and reincorporated with a broader mandate. The breadth of their mandate and the variety of their operations are extensive, and they brought new tasks to government enterprise in Canada.

Their objectives reflect a diversity of mandates and operations. In the 1950s, stress was put on the need for development corporations to play a corrective role, overcoming "credit gaps" in the private financing of businesses. But they were also given a broader stimulative role aimed at bringing about structural changes in the economy. It was this latter role that particularly allowed growth in the kind of activities undertaken by these corporations in the ensuing decades. Among the various objectives related to "structural change" activities were the promotion of

secondary manufacturing, the elimination of regional disparities, and the encouragement of diversification of the economy. Some corporations emphasized only one of these objectives, while others tried to combine them. For example, the Ontario Development Corporation put priority on regional development; Quebec's SDI leaned towards diversification of the economy; and Nova Scotia's Industrial Estates Limited had a broad mandate to foster all three types of structural change.

To attain these objectives, development corporations followed various paths. Some provincial corporations considered their functions as complimentary to markets, with emphasis on provision of loan and loan guarantees, and on management consulting services. The Ontario Development Company and the Alberta Opportunity Company represent this approach. Others have been more directly involved in the economy, everything from the provision of low-priced industrial space to full or part ownership of companies. For example, Quebec's SGF and SDI attached conditions to their equity financing and investments in order to maximize local procurement and management. Sometimes ownerships in industries resulted after previous loans were put in jeopardy by faltering private sector companies. For example, Nova Scotia's Industrial Estates Limited purchased equity in Clairtone Sound Incorporation and Deuterium of Canada Limited in order to protect the provinces earlier investments.

A brief description of some of these lending agencies provides insights into the nature of their operations. The Nova Scotia Industrial Estates Limited (IEL) was created in 1957 to promote, diversify and develop industry in Nova Scotia. Premier Robert Stanfield -- IEL's founder -- hoped the corporation would ease the chronic unemployment problem of the province. Thus, it was designed to assist industrial development principally by financing up to 100 per cent of the construction and expansion of manufacturing plants. The plants could be owned by and leased from IEL with an option to buy, or could be purchased with IEL providing first mortgage financing. IEL was also permitted to finance some portion of costs for installed machinery, and to impose lower taxes for up to ten years. In the 1958 to 1971 period, IEL invested $159 million in some 77 enterprises. Its more notable successes included Volvo Canada Limited and Michelin Tires Canada Limited. The two most costly projects were Clairtone Sound Corporation and Deuterium of Canada Limited. During this period, IEL directed the bulk of its aid to areas outside Halifax, which were traditionally ignored by private lenders. It also favoured smaller communities -- 40 per cent of assisted plants were located in towns of 5,000 or less.[115]

La Société générale du financement (SGF) in Quebec (1962), like most provincial development agencies, was accorded as a primary objective the formation and development of industrial enterprises. Unlike others, however, it sought from the outset to achieve this

goal through equity financing and through a readiness to acquire a controlling interest in a variety of businesses. As a result, SGF has been involved in many different activities: shipbuilding, dredging, railroad cars, turbines, boilers, sawmill equipment, heavy machinery, vegetable canning, car assembly, particle board, veneer, garments and hosiery.

Ontario initially offered guaranteed loans under its Economic Development Loans Guarantee Act. By that Act, the Ontario Development Agency was formed in 1963. Later, in 1966, the province reorganized its activities into the Ontario Development Corporation to help industries unable to obtain funds more effectively. The Corporation was given a particular regional bias, with certain designated areas identified permitting more favourable loan terms and conditions in those regions. In contrast to other provincial development corporations, its activities have been relatively limited.

The Manitoba Development Corporation was created in 1958 as a Fund by the Progressive Conservative government of Duff Roblin. Its main goal was industrial growth, and it offered high-risk credits and loans to this end. Under the NDP government of Premier Ed Schreyer, the role of the Manitoba Development Corporation was expanded to include equity investment, and it was incorporated in 1970. By 1976, the corporation was full or part owner of some fifteen companies. Notable problem investments were

Saunders Aircraft Corporation Limited and a forest products venture in The Pas. In 1977, the election of the Conservative government led to closure of the corporation in a move consistent with Premier Lyon's commitment to reducing the scope of government activities in Manitoba.

The activities of these provincial development corporations reveal how public enterprise broadened the scope and functions of its activities after 1960. Experimentation with public enterprise had given way to virtually an unlimited range of news activities. The tasks of provincial development corporations focussed on the business sector, but a large component of these activities also related to social concerns arising from market failures, especially the maintenance of jobs and incomes in disadvantaged regions.

FEDERAL REGIONAL DEVELOPMENT POLICIES AND THE CAPE BRETON DEVELOPMENT CORPORATION[116]

During the 1970s, concerns arose that policies did not adequately address the causes of regional disparities (e.g., lagging economic development and personal incomes in economically depressed areas). In response, the federal government undertook several initiatives aimed at improving regional development prospects, including the Agricultural and Rural Development Act programs (1961) and the Fund for Rural Economic Developments

(1966). The latter program sought to attack rural poverty through federal-provincial agreements with New Brunswick, Prince Edward Island, Quebec and Manitoba. Later the Atlantic Development Board (1962) was established to assist in infrastructure development in that region, and the federal Area Development Act (1963) was passed into law providing incentives to manufacturing firms to locate facilities in depressed areas.[117]

One initiative in public enterprise -- the Cape Breton Development Corporation (DEVCO) -- was an integral part of these early initiatives designed to address regional development. The problems addressed by public enterprise arose because Cape Breton was dependent on one industry, coal mining, and one firm, the Dominion Steel and Coal Company (DOSCO). Moreover, the coal industry itself, as a result of other energy developments, was extremely unstable, and associated with it was a large unskilled labour force with little potential for mobility. Some labour force statistics are sufficient to demonstrate these factors. In 1965, the Dosco employees represented 14 per cent of the entire Cape Breton Labour force. In the major communities, the percentage of the labour force increased to between 38 and 50 per cent.

As markets in the coal industry declined in the 1960s, management identified the plight of DOSCO. In 1965, the company stated it could neither finance new required investments, nor

continue to sustain losses. It announced that DOSCO would be forced to close mines unless public funds were forthcoming from the federal government in the form of grants, rather than loans. The threat was a loss of 7,000 jobs.

In October 1965, the federal government responded by indicating it would provide $25 million for the reorganization of the Cape Breton coal industry. However, by then, DOSCO had changed its position, now arguing that the entire operation was dictated by social, not economic considerations. It suggested that even with grants its operations were not worthwhile continuing. Confronted by these demands, the federal government took nine months to respond.

In the interim, a report on the coal industry in Cape Breton prepared by J. R. Donald, a Montreal consultant, was tabled in Parliament. The report emphasized the long term social and economic problems caused by the region's dependency on one industry. It argued that a long term solution to the problem should be found in order to justify more support. It recommended the creation of two public enterprises -- one to run the company, and the other to prepare the dependent communities for the eventual end of coal mining, by undertaking initiatives to diversify the economy.

When it finally took action, the federal government followed the Donald report's recommendation closely, although it created only one public corporation. After consultations with management, trade unions and the Nova Scotia government, the federal government announced that the Cape Breton coal industry would be maintained by DEVCO. It committed $25 million to the rehabilitation of the industry and $20 million to the diversification of the region's economy.

The two tasks of rehabilitation and diversification identified by the Donald report were stressed in the Prime Minister's announcement:

> The Government of Canada is prepared to ask Parliament to establish a suitable Crown Corporation -- to acquire, reorganize and manage the coal mining interests of the Dominion Steel and Coal Corporation and simultaneously to help promote and finance development of modern industry on the Island of Cape Breton, within the context of a comprehensive economic plan for the redevelopment of the Cape Breton economy.[118]

Thus, the federal government specifically emphasized that the rationale behind public enterprise in this instance was primarily based on social considerations. It made no commitment to commercial viability, or even a schedule for reduction of mine output and employment:

> ... It is not expected that the Cape Breton coal mines will become a viable commercial operation during the next decade, nor was the reason for federal investment a commercial one. Federal participation in this instance

> was brought about by social objectives relating to the maintenance of an established community of Canadians and by longer term intentions to diversify and develop the economy of the Cape Breton region.[119]

Throughout negotiations the Prime Minister and others repeatedly underlined how "social and humanitarian" considerations were behind the origins of DEVCO.

The social nature of DEVCO's origins typifies the development of government enterprise in this period. It exemplifies how the federal government found public enterprise a useful tool for job and income maintenance in a region overly dependent on a declining industry. Especially characteristic is the goal of diversification of the economy.

TELESAT CANADA[120]

With Telesat Canada, the federal government undertook mixed enterprise. Telesat Canada's act of incorporation permitted joint ownership by the federal government, common carriers (telephone and other telecommunication companies), and the general public. However, to date, no shares have yet been offered to the public.

During the 1960s both the federal government and the private sector became interested in the potential of communications satellites. The federal government had earlier undertaken a modest research program, including the Alouette I research

satellite. Many firms, nurtured by federal government assistance, were interested in supplying the hardware for a satellite communications system. In 1967, two different proposals for a system were put forward, one from Power Corporation and Niagara Television, the other from Trans-Canada Telephone System (TCTS) and CNCP Telecommunications.

Numerous pressures favoured a prompt definition of policy. There was concern that Canadian indecision could result in loss of valuable "parking spaces" in outer space. Another issue was the reported negotiations between Quebec and France for that province's participation in a proposed French satellite system. This was considered a threat to the federal government's jurisdiction in the field. There were attractive social and cultural features as well. It was said that a satellite communications system could lead to the provision of high quality telecommunications to all parts of the nation, including the North.

The federal government took the first major steps towards the establishment of a policy by the appointment of a Task Force on Satellites in July 1967. While the Task Force's report did not immediately become public, it formed the basis of the government's White Paper on Domestic Satellite Communications. It emphasized the urgency of the matter, and rejected the advisability of relying on private enterprise alone:

> The Government will propose to encourage private participation in the Corporation and to that end will initiate discussion with the interested parties. The pattern of ownership needed to maintain effective control in those matters involving national interest will emerge from these discussions.[121]

The government's response to private sector initiatives was clear. Any private participation in a satellite system would need to be consistent with government priorities and goals.

To ensure compatibility between private and public interests, the federal government introduced legislation to Parliament in April 1969 establishing a new corporation, Telesat Canada. It proposed tripartite ownership -- the government, the common carriers and the general public. Most likely, this tripartite form was the recommendation of R. M. MacIntosh, a Canadian banking executive, who had earlier reported on the matter to the Privy Council Office. In contrast, TCTS and CNCP had favoured dual ownership between the government and the private sector only, the ultimate eventuality.

In the selection of mixed enterprise (rather than pure private or public operations), the influence of developments in the United States were significant. When introducing the Telesat Canada Act, Minister Kierans said: "The type of corporation proposed is unique in this country. It goes beyond precedents set by ... Comsat in the United States ..." The American government had established joint ownership of a private corporate body called The

Space Communications Satellite Corporation (Comsat), with 50 per cent in the hands of the common carriers, and the other 50 per cent in the public realm. Regulatory provisions provided for control by the United States Treasury over the sale of stock, submission of reports to the President, and appointment by the President of three of the fifteen corporate directors.[122]

Why was it thought necessary to link government priorities and goals to Telesat Canada? One important element related to nation building. Many felt that this satellite system should facilitate the infrastructure development of television and telecommunication distribution, especially for the North and francophone viewers. Allan Gotlieb, the Deputy Minister of Communications said:

> I hate to use clichés, but I think that there is an analogy with the railway here when it was opened up. I imagine very, very few people lived at the end of the line where the last spike was driven, but the very fact this facility went in transformed the nature of the country.[123]

The government feared that private industry alone would push to limit services and distribution; the common carriers had already made proposals along these lines. It was stressed that there was a delicate balance needed between preserving existing technology and promoting the new one. Public involvement was felt necessary to ensure that space facilities would complement, rather than duplicate, replace or displace existing terrestrial ones.

A further concern leading specifically to the option of mixed enterprise was federal-provincial in origin. On the one hand, the federal government felt some kind of presence in this activity was necessary to affirm the federal presence in the telecommunications industry. On the other hand, given the provincial opposition to sole federal jurisdiction in communications, a wholly owned public corporation was likely considered too strong an affront to the provincial governments.

The origins of Telesat Canada underline the extent to which public and private interests interact in a mixed economy. Not only is Telesat a mixed form of enterprise, but also it serves a telecommunications industry where public and private, multinational and domestic enterprises act together (including provincially owned telephone companies, the CBC, Bell Canada, CNCP and TCTS). In such an environment, political and economic bargaining plays an essential role:

> ... Telesat Canada was an organizational expression of a political economic bargain struck to generate greater certainty and control in an industry beseiged by technological changes and conflicting public policy purposes. Telesat Canada is a "holding" company, not in the traditional corporate sense of the word but in the political sense. It exists to secure a modicum of predictability among economic and political interests uncertain about exactly what to do about the future in a technologically complex field, but otherwise determined that if someone was going to lose from these developments, it was not going to be them.[124]

In its mixed form, government enterprise institutionalizes in a corporate form a political and economic bargaining process.

CANADA DEVELOPMENT CORPORATION[125]

The Canada Development Corporation (CDC) is another example of a federal mixed enterprise. In this case, shares are owned by both the federal government and private investors. Initially it was intended that the federal government's share of ownership would drop to only 10 per cent of the total. However, before this goal was reached, it was announced under the Trudeau government that CDC would become entirely privately owned when market prices favoured divestiture of government-owned shares.

The origins of CDC date back to 1956. Appearing before the Gordon Commission in 1956, Gordon Ball proposed the creation of a private investment corporation. He suggested its functions would be an underwriter of last resort, as well as a motivator for putting together sizeable capital pools to finance large projects.

In 1961, the federal NDP urged the formation of a similar Canada Development Fund, but its goals were more direct. It would attract the savings of Canadians, as well as serve as a repository for certain selected government funds. These funds were to be selectively employed by a federal investment board. In the same

year, Alvin Hamilton, Progressive Conservative MP, advocated the establishment of a National Development Corporation. Its expressed purpose was to gather Canadian savings and place them in high and low risk investments.

Perhaps the most influential early development in CDC's origins was the proposal of Walter Gordon, the nationalist Liberal Minister of Finance between 1963 and 1965. His June 1963 budget included a commitment to create a Canada Development Corporation, which was to serve as an alternative buyer of Canadian-owned companies offered for sale. It was meant to complement other initiatives in that controversial budget to regulate and control foreign ownership, specifically a 30 per cent tax on the purchase of Canadian companies by foreigners.

Not surprisingly Mr. Gordon's budget produced considerable public debate. There was some sympathy for the proposals -- economic nationalism was in ascendancy, and a significant degree of consensus existed that the federal government had not done enough to influence the level of foreign ownership and control within the Canadian economy, as well as to develop policies taking into account the evolution of multinational firms. Still, many opposed the creation of the CDC. Some suggested it blurred the roles of the public and private sectors, taking nationalist sentiments too far. Others stressed how the corporation would put high priority on the development of new Canadian enterprises, and

not on the domestic ownership and control of existing Canadian enterprises.

In 1965, Mr. Gordon was replaced by Mitchell Sharp as Minister of Finance. For a period of five years, there was relatively little activity concerning the CDC. The new Minister had opposed the Gordon proposals in Cabinet, and he was among those responsible for delaying the entry of enabling legislation into Parliament. As Minister, he sought good relations with the business and financial communities, who largely opposed the CDC.

In early 1970, when Edgar Benson took over as Minister of Finance, the idea of establishing a CDC re-emerged. Renewed interest arose because the new Prime Minister, Pierre Trudeau, was casting for fresh initiatives within his administration. Additional pressure to create the organization came from another resurgence of economic nationalism.

Progress was slow. A number of higher priority items delayed its entry into the legislative system. Also it took some time to prepare the legislation, since the proposed CDC did not have the nationalist goals of Mr. Gordon. Instead, it was reoriented to conform as much as possible to private sector criteria, and to function as a more traditional development company -- an investment holding and venture capital company complimenting "gaps" in the Canadian economy.

In 1971, Parliament finally passed legislation enacting the formation of the CDC. The Act explained that investments should "be carried out in anticipation of a profit and in the best interests of shareholders."[126] Finance Minister Benson stressed the importance of the corporation's independence from Cabinet and political directives. The commitment to eventual divestiture of government ownership to a level of 10 per cent reflected the goal of organizational autonomy. To address problems of industrial development, the Act implied the CDC should fill gaps in direct and high-risk capital, as well as in domestic entrepreneurial capabilities. In general, the CDC aimed to develop through profitable investments, businesses with Canadian private sector ownership and control.

In terms of the organization's operations, the Act allowed for a strong board of directors appointed by the government, but with primarily private sector participation. The major areas for investment were identified as mining, oil and gas, petrochemicals, northern development and small business. The Act recommended the sale of other government-owned companies to CDC, including Eldorado Nuclear Limited, Panarctic Oils Limited, Polymer Corporation Limited, and Northern Transportation Company Limited. Eventually, Polymer was put under CDC control.

Its President Anthony Hampson took seriously the emphasis in the Act on a CDC that would be free of government interference and

based on profit motives. Investments grew in firms such as Connaught Laboratories, Texasgulf Incorporated, AES Data Limited and Savin Corporation. As the corporation took on a life of its own, CDC's autonomy posed problems. The federal government under Prime Minister Pierre Trudeau came to feel that its independence had compromised CDC's effectiveness as an instrument of government. It stressed there were few links between the corporation's activities and the socio-political goals of the government.

These problems led to the establishment of another holding company in 1981, this time wholly owned by the federal government -- the Canada Investments Development Corporation (CDIC). Part of its mandate involved divestiture of the government's publicly held shares of CDC. At the same time, CDIC gained control of Canadair Limited, de Havilland Aircraft Limited, Eldorado Nuclear Limited, and Teleglobe Canada, as well the 48 per cent of equity held by the government in Massey Ferguson Limited. With the exception of Teleglobe Canada, all of these firms were operating at a loss. The government stressed the importance of using the vehicle of CDIC to take "strategic steps in key areas such as aviation/aerospace, microelectronics and computers, and telecommunications."[127]

NDP PROVINCIAL GOVERNMENTS

From 1960 to 1984, three New Democratic Party (NDP) governments came to power at the provincial level. Premier Blakeney brought the NDP back to head the Saskatchewan government in 1971, and he remained in power until 1982. Premier Barrett of British Columbia and Premier Schreyer of Manitoba led their provinces for shorter periods during the 1970s. Nevertheless, all three governments revitalized government enterprise in their provinces during their tenures in power.

In Saskatchewan, Liberal Premier Ross Thatcher had succeeded the CCF government of Tommy Douglas. Mr. Thatcher's approach to government enterprise was more pragmatic, favouring support of private enterprise as the means for achieving industrial development. Although most of the Saskatchewan government enterprises were maintained under the Thatcher government, Saskair, the Guarantee and Fidelity Company, and Estevan Brick Limited were sold during its mandate to private enterprise.

After the election of Allen Blakeney, six new commercial corporations were set up between 1973 and 1975. Three were major natural resource corporations: Saskatchewan Oil and Gas Corporation, the Saskatchewan Mining Development Corporation and the Potash Corporation of Saskatchewan. The other three were: the Saskatchewan Computer Utility Corporation (which consolidated

the computer facilities of the government, the universities and the Saskatchewan Power Corporation); the Saskatchewan Trading Corporation (changed to the Agriculture Development Corporation in 1978); and the Saskatchewan Development Fund Corporation (an investment vehicle for the savings of Saskatchewan residents). In addition to these commercial corporations, the vehicle of the Crown Corporation was used by the Blakeney government for four other agencies involved mainly in the delivery of government programs: the Saskatchewan Housing Corporation; the Crop Insurance Corporation; the Farm Start Corporation; and the Saskatchewan Educational Communicats Corporation (SaskMedia).

In both Manitoba and British Columbia, NDP governments took similar paths supporting and developing government enterprise. Premier Schreyer came to power for the first time in June 1969, and following the example of the 1944 Saskatchewan CCF government, promptly established the Manitoba Public Insurance Corporation. It was designed to take over the field of automobile insurance, and to reduce rates and profits of insurance firms. The Manitoba NDP government later became involved in Churchill Forest Industries Limited and other projects by means of a revitalized Manitoba Development Corporation.

In British Columbia, the NDP government under Dave Barrett created the Insurance Corporation of British Columbia in 1973. In addition, this government made special commitments to use

government enterprise in the natural resource sector. To confront problems in this area, the British Columbia Petroleum Corporation and the Ocean Falls Corporation were created in 1973.

PETROCANADA[128]

Before 1970, the federal government produced and marketed uranium, atomic energy and coal. The provincial governments controlled and produced hydro-electric power. However, governments had always refrained from direct participation in the oil and gas sectors. In the decade after 1970, the uncertainties of the world energy market and the economy would change that approach.

In the 1970s, even prior to the first OPEC oil crisis, the relationship between oil companies and oil producing states, and the role of these energy sources in Canadian-American relations had become major issues, which lead to the direct participation of governments in the oil and gas sectors. Alberta and Saskatchewan created Alberta Energy Corporation and Sask Oil in the early 1970s. The federal government employed the vehicle of PanArctic Oils Limited to promote joint private/public oil exploration in the eastern Arctic Islands. Critics attacked the Liberal government of Prime Minister Trudeau for policies relating to the conservation of non-renewable resources, the sovereignity of the Canadian North, the export of oil and natural gas to the United

States, and the foreign ownership of Canadian resource industries.

During the Liberal minority government between 1972 and 1974, the NDP led such criticism and its participation in the minority government put the party in a strong position to influence federal policies. One of the first steps taken by the minority government was a major review of Canada's energy policies. Tabled in Parliament during June 1973, the subsequent report -- An Energy Policy for Canada -- covered a broad range of issues. Among them, the report raised the question of establishing a national oil company. It listed the benefits and costs of such an undertaking, leaving conclusions to the reader. Initially, the minority Liberal government rejected this proposal, stressing its possible costs to to the taxpayer.

However, events rapidly changed this view, and added to the impetus for a national oil company generated by the NDP and the Liberal minority government. The OPEC oil cartel effected an international crisis sparked by the Yom Kippur War and the ensuing oil embargo. Above all, the crisis was one of oil supply, which involved the balance of power between oil producing and oil consuming countries. As a net exporter of oil, Canada was better positioned than most industrialized countries, but the provinces east of the Ottawa Valley Line relied almost entirely on oil imports. At the same time, Canadian oil companies revised their

estimates of conventional oil and gas reserves downwards by a significant amount. Before 1973, oil companies had proved adequate supplies to the year 2000, but now they said oil supplies were sufficient only to the early 1980s. The huge capital investments required to develop frontier oil and gas projects increased dramatically. While potential oil and gas fields likely existed in Canada, the industry said the costs of development were prohibitive.

The motives behind the creation of PetroCanada can be related directly to these events. The conflict of power between producer and consumer countries in the international oil market led to the development of state-to-state oil trading, and the federal government saw PetroCanada as a vehicle necessary to assure the security of imported oil supplies through such arrangements. The federal government, like other national governments, was also frustrated in its ability to control multinational oil companies. The abrupt change in supply estimates underlined this problem. PetroCanada represented a possible "window on the industry," whereby it would give the federal government access to more reliable data concerning reserves and development costs. Security of supply considerations led the government to stress the need for a higher level of self-sufficiency, and speedier frontier exploration. It was said that a national oil company, more than private firms could build longer term considerations into its analysis of projects and their financial viability.

With this background, PetroCanada came into existence in July 1975. The company grew rapidly throughout the remainder of the 1970s. Initially its primary role was to facilitate exploration and development. Consistent with this role, in the spring of 1976, the federal government transferred to PetroCanada its 45 per cent share of Panartic Oils and its 15 per cent share of the Syncrude Tarsands project. In August 1976, PetroCanada purchased Atlantic Richfield Canada and later in 1978, Pacific Petroleum. This latter acquisition launched PetroCanada into the downstream activities of refining and marketing, a significant change in its activities. Following the brief period of Conservative rule under Prime Minister Joe Clark, the national oil company expanded further, adding British Petroleum (Canada) and Petrofina to its portfolio. Within five years of its creation, PetroCanada was Canada's sixth largest producer and distributor of oil and gas.

PACIFIC WEST AIRLINES[129]

Pacific West Airlines (PWA) began operations in 1945 as Central British Columbia Airways. During the 1950s and 1960s, the airline developed a reputation as an aggressive, well-managed airline. Indeed, it became western Canada's dominant regional airline. The early 1970s were boom years for PWA. In 1973 and 1974 mainline traffic grew by 31 and 21 per cent respectively.[130]

Given its success, PWA hardly appeared ripe for public ownership. It was widely rumoured that various interests wanted to buy the airline. Among the prospective buyers were the John Labatt consortium, Bethlehem Copper, Brinco, Noranda Mining, and the White Pass and Yukon Railroad. By mid-summer of 1974, however, only White Pass and Yukon, a wholly owned subsidiary of Federal Industries of Winnipeg had actually made a bid and applied for approval of sale for the Canada Transport Commission. The Alberta government intervened against White Pass and Yukon before the federal regulatory agency, and ultimately PWA's board rejected the bid. In late July 1974, speculation mounted about a dramatic change in ownership. Surprisingly, it was the Progressive Conservative government of Alberta that has bought the airline, a government portrayed as one of the few remaining bulwarks of "free-enterprise."

Why did the Alberta Government buy Pacific West Airlines? Two main themes were evident in the remarks of Premier Lougheed and his colleagues. The Premier stressed the need to employ state power in defence of provincial interests. Specifically, there was concern that a White Pass and Yukon takeover would be detrimental to Alberta's transportation network, since it would likely direct traffic away from Alberta to British Columbia and the Yukon. The Alberta provincial government emphasized how important effective transportation facilities were to a remote, land-locked province like Alberta. The Premier linked the acquisition of PWA to the

province's drive towards industrial diversification. In particular, it was suggested an expansion of PWA's air cargo facilities could assist provincial businessmen to penetrate foreign and domestic markets.

Considerable debate ensued about the logic of Alberta's position, including federal-provincial conflict over PW. The British Columbia and Alberta governments battled over where the headquarters of the airline should be stationed. After these squabbles, the federal Minister of Transport, questioned publicly the appropriateness of provincial government ownership of airlines, and eventually the matter was the subject of a Supreme Court decision. The Court ruled in favour of Alberta's right to own the airline.

Some years later, the Alberta government sold its controlling interest in PWA. In 1983, after almost ten years of ownership, the government offered for sale the majority of its shares, retaining only 14.9 per cent. The apparent reason for the move was simply the poor state of Alberta's economy, and the need for a better allocation of scarce government revenues.

EVOLUTION OF AIR CANADA AND THE CNR[131]

As the airline business expanded and Air Canada's responsibilities grew, the company undertook a diversification program.

As part of that program, Air Canada entered in 1973 into negotiations with two Canadian travel agencies -- McGregor Travel Co. Ltd. and Burke's Worldwide Travel Ltd. -- to purchase shares in an amalgamation of the two companies. Contrary to the established norm, the marketing branch, which led tnese negotiations, failed to seek board approval. Moreover, Air Canada had not received Cabinet sanction for such activities; nor had enabling legislation been passed allowing the company to expand into the travel wholesaling business. Once these developments were discovered internally, Air Canada's investigation proceeded slowly. Only when this internal turmoil became a public scandal did investigation occur rapidly. Considerable losses resulted from these doubtful ventures in the travel business.

The public inquiry into Air Canada's activities was headed by the Honourable Willard Estey. One of the major results of the Estey Report was the Air Canada Act, 1977. This Act sought to clarify the company's goals and structures. It eliminated confusion over social and business goals by stating specifically that the company should be managed as a "sound business" and "in contemplation of profit."[132] The Act largely removed the airline from government protection, putting it on the same foot as other private airlines. It altered Air Canada's debt/equity ratio so that the firm would be in a better position to compete with private airlines. The Act established the principle of compensation for unprofitable activities. A better arm's length

arrangement between government and management was sought, giving the company the means to act on political directives without compromising the airline's competitive position.

The CNR followed a similar pattern of development. In 1975 new emphasis was placed on running CN on a profit-and-loss basis. In order to do so independent of government support, the company successfully achieved a major restructuring of its capital base. The Capital Revision Act, 1978 cancelled $808 million of Canadian National's debts to the Crown. In return, it was stipulated that CN would pay 20 per cent of its profits to the federal government as a dividend. CN was also relieved of its unprofitable passenger service. In 1978, the federal government established a new Crown Corporation, VIA Rail Canada Incorporated. It was created to operates all inter-city passenger service previously provided by the CNR and CP. In addition, changes were made to the company's internal organization to better reflect the total costs of its operations.

FEDERAL AND PROVINCIAL LOTTERIES

In the 1970s, government enterprise moved into a new field -- lotteries. The Quebec government had sought a provincial lottery for many years. Before 1969, however, the federal government had prevented that development by refusing to remove the general prohibition against lotteries from the Criminal Code. But in that

year, as part of a broader revision of the Code, the Minister of Justice, John Turner, indicated that the federal government would withdraw from the field, leaving the conditions attached to such a scheme a provincial matter.[133]

Immediately following this change, Quebec established its own lottery. Other provinces quickly followed suit during the early 1970s, although some of the provinces grouped together to form regional lotteries. Attracted by a large potential source of revenues, the federal government reneged on its withdrawal from the field and later established its own lotteries. Confronted by a barrage of provincial opposition to these activities, however, the federal government eventually left the field as originally promised.

Why use the instrument of government enterprise for lotteries? It was generally argued that government enterprise was necessary to ensure proper terms for gambling and to eliminate investment of organized crime. As in the sales of liquor, it was suggested that public ownership could serve as a way to regulate a "bad" activity. Perhaps the factor that made lotteries especially attractive was the particular kind of access it gave to new sources of revenues. Public ownership had the special attraction of disguising the extent to which lotteries produce revenues for governments.

POST OFFICE

In 1981 the Post Office became a crown corporation. This change in status transformed a federal department into a government enterprise of significant size and structure. In 1977, the Post Office employed over 60,000 individuals, while collecting, processing and delivering close to 5,750,000,000 units of mail. It did so at a cost of over $1,350,000 and with revenues of $775,000.[134] This change amounted to little in terms of actual operations, since the Post Office effectively carried out the same commercial operations before as a department. However, the rationale behind the change underlines how government enterprises offer advantages as a result of their arm's length relationship with government.

In particular, many saw an advantage in the way the Post Office, as a crown corporation, could provide different terms for collective bargaining under the "arm's length relationship." In the 1970s, the series of postal strikes and the high degree of conflict between postal management and unions resulted in considerable need for more flexibility in collective bargaining. By changing from a department to a Crown Corporation, the Post Office became the employer, rather than the Treasury Board. The terms and conditions of employment shifted from the Public Service Employment Act to the Canada Labour Code. As a crown corporation, union and management would also have recourse to the Federal

Mediation and Conciliation Services dispute settlement mechanisms under the Canada Labour Code. The net effect of all these changes was to give the employer and the unions much more scope to bargain when seeking collective agreements.

NEW APPROACHES TO GOVERNMENT ENTERPRISE

In this period, tremendous growth in the number of government enterprises and the broader scope of their activities increased the public's general awareness of these corporations and their activities. Indeed, over the last 20 years, it is fair to say that government enterprises have been subject to a degree of scrutiny never experienced before in their history. Not surprisingly, the increased scrutiny has resulted in new approaches to government enterprise.

In the political realm, under the influence of neo-conservatism in the United States and Great Britain, the concept of "privatization" emerged. The brief period of power under the Joe Clark government in 1978 and 1979 witnessed the development of this concept in Canada. Privatization's roots lay in the attack on governments' growing presence and influence in the marketplace during the 1970s. This attack concluded that many public corporations can and should be sold to the private sector.

It was the Social Credit government of Bill Bennett in British Columbia that first translated privatization from theory into practice in Canada. In 1978, the Bennett government formed the British Columbia Resources Investment Corporation (BCRIC) to manage and to sell to the private sector the province's interests in resource-related companies. The sale of shares was more complex than a straightforward transfer to the private sector. The provincial government instead gave the shares away to its citizens, reducing government holdings to less than 5 per cent.

At the same time, a series of federal government studies released in the 1970s explored administrative reform to government enterprise. Beginning in 1975 several reports of the Auditor-General found that the financial management and control practices of crown corporations did not satisfy the needs of Parliament, the federal Government, and corporate management to control public spending. In 1977 the Privy Council released its "Blue Book" on the direction, control and accountability of Crown Corporations. It stressed how reforms should be designed to improve the role of crown corporations as an instrument for carrying out public policy objectives. It identified problems in crown corporations' practices that resulted from an unclear relationship between public enterprise and government policies. In 1978, 1981 and 1982 the Public Accounts Committee also reviewed issues of accountability and technical practices of government enterprises.

The Lambert Commission report, released in 1979 was perhaps the most important of the recent studies dealing with crown corporations. It argued that the schedules of the Financial Administration Act should be revised and updated. By doing so, it identified specific regimes defining financial requirements and control methods, as well as new evaluating procedures that could be developed for each category of crown agencies.

To redress many of the problems considered in these reports, several bills were introduced into Parliament establishing new omnibus legislation on crown corporations. While, all have died on the order paper, their concerns have largely been similar: the proliferation of crown corporations; powers of cabinet direction; appointment of chairman and boards of directors; submission of corporate plans; submission of capital and operating budgets, and legislative scrutiny of crown corporations.[135]

1960-1983: MODERATELY POSITIVE STRUCTURALISM

The tremendous proliferation of government enterprises at both the federal and provincial levels during this period almost defies description. The variety and diversity of tasks undertaken by these corporate enterprises are simply overwhelming in number and scope. What this spectacular growth reveals is a relatively well-known characteristic of recent history -- the traditional distinction between the private and public sectors has become increasingly blurred. Indeed, the tremendous growth of government

enterprise in Canada over the last two decades demonstrates how federal and provincial governments have directly participated in a "mixed economy."

As their scope and number grew, government enterprise evolved from its more pragmatic roots. During this period governments made general commitments to public enterprise based on principle. In contrast to the earlier periods, provincial governments became as active in the creation of government enterprise as the federal government, and their activity often reflected ideological support for government enterprise. Following the lead of the 1944 CCF Saskatchewan government, NDP governments in British Columbia, Manitoba and again in Saskatchewan brought the use of government enterprise more into line with a general commitment to a known, defined principle. The Quebec governments, too, while not always social democrats, linked the use of government enterprise directly to principles of economic nationalism.

At the federal level, partly in response to the development of the privatization concept in conjunction with the Joe Clark government, the 1980 Liberal government of Prime Minister Trudeau committed itself to the use of government enterprise in specific sectors as an explicit matter of principle. But even before that time, various Liberal governments had employed the tool of government enterprise as part of its economic planning, as well as to achieve nationalist goals, albeit somewhat more implicitly.

Despite a greater commitment to general principles associated with the use of government enterprise during this period, public corporations also emerged in response to specific circumstances and with little reference to general principles. The case of Pacific West Airlines and the Alberta government serve as perhaps the most obvious example. However, there are others -- the nationalization of B.C. Hydro; and, the growth among all governments of financial public enterprises extending loans and credit for business, housing and farming.

From 1960 to 1983, governments tended much more than before to employ public enterprise as a "positive" instrument with "structural" changes as its goal. The growth of federal and provincial development companies was often based on the view that these entities should and could address structural problems within the economy. For example, Petro-Canada's origins consisted of several positive goals -- to change the investment and ownership patterns of oil exploration in Canada, and to create a "window on the industry." Similarly, many of the activities of the provincial development corporations conformed to the economic planning goals of each particular government.

Using government enterprise as a positive tool of economic planning contributed to a new emphasis on social welfare considerations. The Cape Breton Development Corporation exemplifies how the origins of a government enterprise were dominated in this period by concerns about income maintenance for

a selected portion of the population. In addition, the evolution of public farm and housing finance equally reflected the maturation of social policy in the nation.

Two developments in the history of government enterprise during this period are especially significant. First, among the various new fields in which government enterprise operated, perhaps the most important was oil and gas. The role it played in the economy of the 1970s, as well as the considerable uncertainty and change associated with energy policy gave the development of federal and provincial government enterprises in this sector a very high profile indeed.

Second, as government enterprise expanded, so too did experimentation with novel administrative forms. In several instances, governments opted for mixed enterprises, rather than wholly owned public enterprises. For example, the federal government created Telesat Canada as a partnership between the federal government and the telecommunications common carriers. In addition, the Canada Development Corporation began as a mixed experiment. Other examples can be found at the provincial level -- Alberta Energy Company's ownership was divided equally between the province of Alberta and individual investors; and British Columbia Resources Investment Company was heralded by that province's government as an experiment in "people's capitalism."

A major issue during the period became the dichotomy between "control and independence" within government enterprise. On the one hand, the desired goal of profitability pushed government enterprises towards diversification and competitiveness. By doing so, many government enterprises undertook independent courses of action separate from their originally intended economic and social goals. On the other hand, governments tended to consider the use of public enterprise as a tool of economic development. Governments thought public enterprises should carry out specific goals linked directly to their current socio-political goals. Unfortunately, the independent diversification strategies of government enterprises often did not conform to these goals.

Confronted by this dichotomy, serious concerns arose relating to the effectiveness of government enterprise and their place in a system of responsible government. These concerns were amplified by the proliferation of academic and political studies of government enterprise.

In general, the "defensive pragmatism" of the period from 1930 to 1960 was replaced by what might be termed "moderately positive structuralism." Where previously governments created public enterprise without commitment to general principles and to ideology, from 1960 to 1983 many government enterprises were created based on principle and ideology. More than before, they were developed to achieve specific "positive" goals. No longer were public enterprises merely defensive responses to specific

situations; now they were used to achieve explicit economic and social goals. Where in the 1940s and 1950s the value of independence and the "businessman's approach" permeated government enterprise, the problems of the dichotomy between independence and control became a major public issue.

Why should the term "moderately" be applied to "positive structuralism?" Some might suggest that there were few constraints to the expansion of public corporations and that Canadian governments were using them as a first, rather than last resort from 1960 to 1983.

Several factors suggest the existence of real constraints on the use of government enterprise. A major component of government enterprise found in many other countries and lacking in Canada is nationalization. Except in the cases of hydro electricity and the potash industry in Saskatchewan, nationalization has not been carried out in Canada on a large scale. Moreover, Canadian government enterprises were more often new ventures which were in direct competition with other private businesses in the same sector. Instead of replacing the private sector with public enterprise, Canadian governments have tended to create government enterprises that are "partners with business."

While there was greater commitment to the use of government enterprise based on general principles in the period, these commitments have hardly been ideologically pure. Under Prime

Minister Trudeau's government, the principles were often more administrative in origin, seeking to create some logic in the structure of government and private sector activities. For example, in the case of PetroCanada the existence of other state oil companies, and the possible need to trade with them by means of Canada's own national oil company suggest reasons for creating such a public enterprise which are more administrative than ideological.

The origins of many government enterprises in Canada from 1960 to 1983 also sometimes related to federal-provincial relations, rather than to some traditional ideological commitment to the role of a strong government in the economy. For example, Alberta's acquisition of Pacific West Airlines demonstrates how federal-provincial conflict can provide an environment favourable to the creation of government enterprise. PWA's creation, while affecting relationships between government and business, was principally designed to alter the balance of power between the British Columbia and Alberta governments.

The lack of commitment to nationalization, the administrative rational behind the origins of some government enterprises and the role of federal-provincial relations all indicate the appropriateness of the word "moderately." Government enterprise in Canada has not been used solely as a positive economic tool based on ideological commitments. Other factors were equally, if not more in play.

5 CONCLUSION

> ... it (the fusion of government and business) looks like an attractive solution for many difficulties to find a form of organization which promises to incorporate the advantages of private and public enterprise and to eliminate the most objectionable features of both.[136] (J. A. Corry)

The nation's history provides ample opportunity to study the origins of federal and provincial government enterprises. Governments have hardly been reluctant to fuse government and business activities into public enterprise in Canada. The purposes and activities of these enterprises are diverse and multifaceted, to say the least. They are found in almost all sectors of the economy, varying widely in size, mandate and organization.

The history of the origins of Canada's government enterprises demonstrates the extraordinary diversity in their scope and form:

- The early twentieth century witnessed the development of a handful of ultimately large provincial corporations in the fields of transportation, communications and hydro electricity, as well as the creation of the federal CNR, a sizable corporation by any standard.

- Between 1930 and 1960, confronted by the crises of the Depression, World War II and Reconstruction, the federal

government experimented with the instrument of government enterprise. As a result, public enterprise expanded in existing fields and emerged in previously unexplored areas -- defense, high technology and financial management.

- From 1960 to 1983, the scope of government enterprise broadened even further into almost every sector of the economy. Both provincial and federal enterprises were spawned at a rapid rate. Further experimentation with this corporate entity led to various mixed government enterprises (such as Telesat, the Canada Development Corporation and the British Columbia Resources Investment Corporation).

A common thread in the origins of all government enterprises was the attempt to bridge a set of dual activities[137] -- on the one hand, government enterprises were created to contribute to the social and political goals of governments; on the other hand, they were formed in partnership with business, seeking ends related to profit-making and economic efficiency. Their dual character made controlling, managing and operating these corporate entities particularly difficult and daunting, yet it also served to establish them as attractive solutions to economic, political and social issues of the day. Faced with specific problems, governments of all stripes in Canada have seen in the instrument of government enterprise the opportunity to achieve the best features of both government and business.

Different features of the dual character of government enterprise were emphasized throughout its development:

- In the early period, "defensive expansionism" marked the origins of government enterprise. Governments used public corporations as businesses to create the infrastructure in the "frontiers" of the nation, particularly to overcome perceived threats to political sovereignty from the United States.

- Beginning in the 1930s, "defensive pragmatism" was the order of the day. For the most part, the federal government employed the instrument of government enterprise to respond to the specific pressures and needs of the crises during the period. In this environment, government enterprises followed a quite narrowly defined business approach, under the influence of C. D. Howe's dollar-a-year men. What really mattered was that goods were produced and programs provided to meet the crises of the times.

- From 1960 to 1983, the approach to government enterprise was what can be termed "moderately positive structuralism." During these years, federal and provincial governments used public enterprises more frequently as tools of economic development based on both ideological and administrative concepts. Often the aim was to employ the business activities of government enterprises to address structural problems in the economy, and

in a way consistent with the political and social goals of the government of the day.

Despite the considerable growth of government enterprise during the last twenty years, the origins of public enterprise show that a tradition of government involvement in the economy existed throughout Canada's history. Some of today's very large government enterprises, such as the CNR and Ontario Hydro, had their beginnings in events of the early part of the twentieth century. Even in the nineteenth century, Canadian governments carried out commercial activities, although not always in a strict corporate form.

Does the history of government enterprise in Canada reveal anything unique about the nation? Certainly in the early period, Canada established at the outset that it was less reticient than the United States to follow the path of government ownership. The issues relating to "defensive expansionism" explain this phenomena to a considerable extent. A small and open economy dominated and threatened by a country on its southern border opted for government enterprise to help establish political sovereignty and hegemony. Moreover, there was no sophisticated legal system as in the United States to facilitate the development of a more complex regulatory framework; nor, for that matter, were there many sophisticated concepts of government enterprise.

Yet in comparison to the European countries, there was in Canada no widespread nationalization of entire sectors of the economy, and few Canadian governments made wholesale ideological commitments to public enterprise. Instead, federal and provincial governments have gradually discovered public enterprise as a useful tool. Initially its choice as a policy instrument was based on "pragmatic" factors, but recently that choice has become more positive in kind.

It should be stressed that the history of the origins of government enterprise suggests it would be misleading to speak of a unique moment in time when, based on a calculated choice, policy-makers decide to employ government enterprise over another instrument. To the contrary, reality dictates that policy-makers face many competing pressures over a period of time and that often these choices are gradually narrowed. Such "pressured" choices have led to the creation of a government enterprise as a second, third or fourth policy alternative, and sometimes even as a matter of last recourse.

In this environment of competing pressures, three unique features of Canada's government enterprises stand out:

- Unlike in other nations, government enterprise in Canada often represents a "partnership with business." Where other countries have used public enterprise to replace private interests in specific sectors, Canadian governments usually

have created government enterprises as new or reorganized ventures competing in a sector with other private firms.

- More than both the United States and Europe, Canada has appreciated the benefits of using government enterprises as symbols of sovereignty and hegemony. As a small nation, it has frequently turned to government enterprise to defend and build the nation in the face of its large neighbour to the south.

- A modern feature of Canadian government enterprise arises out of federal-provincial relations. Within the federation, Canada's eleven governments have found government enterprise a helpful instrument of power in their own federal-provincial conflicts.

As the preceding study demonstrates, it is these three themes that are essential to understanding the use and choice of the instrument of government enterprise in Canada.

NOTES

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2 W. A. MacIntosh, The Economic Background of Dominion-Provincial Relatins, (Ottawa: King's Printer, 1939). For reviews of the National Policy also see, D. V. Smiley, "Canada and a Quest for a National Policy," Canadian Journal of Political Science, VIII, no. 1 (March, 1975) pp. 40-62; and Michael Bliss, "Rich by Nature, Poor by Policy: The State and Economic Life in Canada," in ed., R. Kenneth Carty and W. Peter Ward, Entering The Eighties: Canada in Crisis (Toronto, Oxford University Press, 1980), pp. 78-90.

3 J. A. Corry, The Growth of Government Activities Since Confederation (Ottawa: King's Printer, 1939).

4 H. G. J. Aitken, "Defensive Expansion: The State and Economic Growth in Canada." in eds., W. T. Easterbrook and M. H. Watkins, Approaches to Canadian Economic History (Toronto: Gage Publishing Ltd., 1967) p. 184.

5 Don Gracey, "Public Enterprise in Canada," in ed. A. Gelinas, Public Enterprise and the Public Interest, (Toronto, Institute of Public Administration of Canada, 1978), p. 25.

6 J. A. Corry, ibid., p. 126; and J. E. Hodgetts, The Canadian Public Service (Toronto, University of Toronto Press, 1973) pp. 110-1.

7 H. A. Innis, "Government Ownership in Canada," in The Problems of Staple Production (Toronto, Ryerson Press, 1933), pp. 30-59.

8 Public enterprise at the municipal level will not be the subject of discussion again in this study. For analysis of municipalities in this early period, see J. A. Corry, ibid., p. 138.

9 See especially Merrill Dennison, The People's Power: The History of Ontario Hydro (Toronto, McLelland and Stewart, 1960) and H. V. Nelles, The Politics of Development: Forest, Mines and Hydro-Electric Power in Ontario 1849-1941 (Toronto: MacMillan, 1974).

10 See H. A. Innis, ibid., pp. 59-65 for an account of the development of this railway.

11 A. Tupper, The Nation's Businesses: Canadian Concepts of Public Enterprise (unpublished doctoral thesis, Queen's University, 1977).

12 See H. V. Nelles, ibid., pp. 252-5. He notes the importance of the "anti-monopoly and civic gospel designation." He suggests that the small Canadian businessman could get their way by attaining cheap power through public ownership, because, unlike in the United States, the socialist movement was relatively undeveloped. Thus, these small industrialists could use the state for its purposes.

13 A. Beck cited in A. Tupper, ibid., p. 134.

14 Some suggest that these small industrialists "captured" or used the state to achieve its goal, namely cheap power. See H. V. Nelles, op. cit. See also, Aidan R. Vining, "Provincial Hydro Utilities," in ed., Allan Tupper and G. Bruce Doern, ibid., pp. 149-88. In John R. Baldwin, "The Evolution of Regulatory Contract for Natural Monopolies: Choice of instrument and contractual failure," Economic Council of Canada, Ottawa (forthcoming), the author develops in detail the thesis that regulation failed in Canada during this period because it was not backed by laws or traditions that would serve to bind the state to a "fair" contract.

15 See M.-H. Pastor, Heritage du passé : Histoire des compagnies d'électricité au Canada (Ottawa, Conseil économique du Canada, 1984).

16 G. E. Britnell, "Public Ownership of Telephones in the Prairie Provinces" (M.A. Thesis, University of Toronto, 1934), p. 11, cited in M. Gordon, Government in Business (Montreal, C. D. Howe Institute, 1981) p. 39.

17 M. Gordon, ibid.

18 The historical details in the following discussion are based on H. A. Innis, ibid., pp. 66-72.

19 James Mavor, Government Telephones (New York, McLean, 1916), discussed in A. Tupper, ibid., pp. 117-8.

20 H. A. Innis, ibid., p. 67.

21 Manitoba, Government Commercial Enterprises Survey, Report (Winnipeg, King's Printer, 1940), p. 17 cited in A. Tupper, ibid., p. 122.

22 This section is based on J. A. Corry, "The Growth of Government Activities in Canada 1914-21," ed., R. G. Riddell, The Canadian Historical Association (Toronto, University of Toronto Press, 1940).

23 See Albert S. Abel, "The Public Corporation in the United States," in ed., W. Friedmann and J. F. Garner, Government Enterprise: A Comparative Study (London, Stevens and Sons, 1970), pp. 181-200.

24 J. A. Corry, ibid., p. 73.

25 This section is primarily based on J. A. Corry, The Growth of Government Activities Since Confederation, ibid., pp. 313-35.

26 J. A. Corry, ibid., p. 165.

27 See A. Tupper, ibid., p. 314.

28 In Saskatchewan, public enterprise in the liquor trade was considered as early as 1915. In that year, the report of the "Royal Commission Appointed to Enquire into and Report upon Liquor Dispensaries or Shops which Recently Existed in South Carolina Under State Control" recommended that the sale of liquor and alcoholic beverages should be bought under a tightly controlled State monopoly, as it had been in South Carolina. However, implementation of the recommendation did not occur in Saskatchewan until 1924-5. Prohibition was implemented in the province during 1917 when the movement benefitted from the fervour of war-time patriotism. See T. H. McLeod, Public Enterprise in Saskatchewan (unpublished doctoral thesis, Harvard University, 1959), pp. 38-43.

29 "Ferguson Launches Government Control Policy," The Globe, 19 October 1926, p. 1 cited in A. Tupper, ibid., p. 332.

30 See K. Wiltshire, "Public Enterprises in Australia," in ed., A. Gélinas, ibid., pp. 75-103.

31 See G. R. Stevens, History of the Canadian National Railways (Toronto, MacMillan, 1973); L. R. Thomson, The Canadian Railway Problem (Toronto, MacMillan, 1938); and T. D. Regehr, The Canadian Northern Railway (Toronto, MacMillan, 1976). Also, there are the popular books of P. Berton on this subject.

32 Privy Council Office, Submissions to the Royal Commission on Financial Management and Accountability (Ottawa, Supply and Services, 1979).

33 H. A. Innis, ibid., p. 48.

34 The historical details in this section are based on A. Tupper, ibid., pp. 136-44; M. Gordon, ibid., pp. 55-66; G. Stevenson, "Canadian National Railways," in ed., A. Tupper and G. Bruce Doern, ibid., pp. 319-51.

35 G. Stevenson, ibid., p. 322.

36 See Report of the Royal Commission to Inquire into Railways and Transportation in Canada (Ottawa, King's Printer, 1917).

37 Ibid., p. lxxxvii.

38 Ibid., p. 1.

39 G. Stevenson, ibid., pp. 321-2.

40 Op. cit., p. lxxxvii.

41 Cited in M. Gordon, ibid., p. 57.

42 House of Commons Debates, 1920, pp. 1664-6 cited in C. A. Ashley and R.G.H. Smails, Canadian Crown Corporations (Toronto, MacMillan, 1965), pp. 40-2.

43 John R. Baldwin, ibid.

44 Some commentators seem to suggest that during this period, nationalization is only attributable to the CNR. However, in the case of Ontario Hydro and the three public telephone systems there were nationalizations of existing firms. Still, for the most part, these latter enterprises were "fresh ventures" designed to increase the rate of infrastructure development and to reduce rates. See J. E. Hodgetts, "The Public Corporation in Canada," in ed., W. Friedmann and J. F. Garner, ibid., pp. 201-26, and Lloyd D. Musolf, Public Ownership and Accountability: The Canadian Experience (Cambridge, Harvard University, 1959).

45 See J. E. Hodgetts, "The Public Corporation in Canada," ibid., p. 209, and J. E. Hodgetts, The Canadian Public Service, ibid., especially pp. 51-69.

46 For more detailed discussion of the "monopoly" considerations in the case of the CNR, see Lloyd D. Musolf, ibid., p. 13.

47 H.C.G. Aitken, "Defensive Expansion: The State and Economic Growth in Canada," ibid., p. 209.

48 See V. C. Fowke, "The Natural Policy - Old and New," in the Canadian Journal of Economics and Political Science, Vol. 18, 3 (Toronto, University of Toronto, 1952), pp. 271-86.

49 See, for example, A. E. Safarian, The Canadian Economy in the Great Depression (Toronto, University of Toronto, 1959).

50 W. L. Marr and D. G. Paterson, Canada: An Economic History (Toronto, Gage Publishing Ltd., 1980), pp. 393-6.

51 See M. Lamontagne, Business Cycles in Canada: The Post-War Experience and Policy Directions (Toronto, James Lorimer and Company, 1984).

52 See G. Bruce Doern and Richard W. Phidd, Canadian Public Policy (Toronto, Methuen, 1983), pp. 230-2.

53 V. C. Fowke, ibid.

54 The prime sources for this section are: F. W. Peers, The Politics of Canadian Broadcasting 1920-1951 (Toronto, University of Toronto Press, 1969); and F. W. Peers, The Public Eye: Television and the Politics of Canadian Radio Broadcasting 1952-68 (Toronto, University of Toronto Press, 1979), especially chapter 14.

55 For the developments in the United States and the United Kingdom as well as the quotations cited see F. W. Peers, The Politics of Canadian Broadcasting 1920-51, ibid., pp. 6-12.

56 F. W. Peers, ibid., p. 47.

57 For a detailed description of the Canadian Radio League, see, M. Prang, "The Origins of Public Broadcasting in Canada," The Canadian Historical Review, Vol. XLVI, No. 1 (Toronto, University of Toronto Press, p. 1)

58 Grayam Spry cited in A. Tupper, ibid., p. 126.

59 F. W. Peers, The Public Eye, ibid., p. 421.

60 F. W. Peers, op. cit., p. 187.

61 F. W. Peers, op. cit., pp. 427-30.

62 For a discussion of these developments, as well as of some of the earlier reformist groups, see T. H. McLeod, ibid., pp. 73-5.

63 See the "Regina Manifesto" of the CCF, 1933 in ed., C. P. Stacey, Historical Documents of Canada, Vol. V (Toronto, University of Toronto Press, 1972), pp. 46-52; and D. Corbett, Politics and the Airlines (Londo, Allen and Unwin, 1965), pp. 65-82.

64 The main sources for this section are: Carmen D. Baggaley, The Emergence of The Regulatory State in Canada, Regulation Reference Technical Report No. 15 (Ottawa, Economic Council of Canada, 1981), and A. Tupper, ibid., pp. 260-8. However, there are numerous detailed sources of the Canadian Wheat industry and its politics, such as V. C. Fowke, The National Policy and the Wheat Economy (Toronto, University of Toronto Press, 1957), and C. F. Wilson, A Century of Canadian Grain (Saskatoon, Western Producer Prairie Books, 1978).

65 See Carman D. Baggaley, ibid., pp. 184-7.

66 Carman D. Baggaley, ibid., pp. 122-3.

67 A. Tupper, ibid., p. 164.

68 The primary sources for this section are: C. A. Ashley and R.G.H. Smails, Canadian Crown Corporations, ibid., pp. 201-27; and J. A. Corry, The Growth of Government Activities Since Confederation, ibid., pp. 126-7.

69 See C. A. Ashley and R.G.H. Smails, ibid., p. 202.

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71 House of Commons Debates, March 22, 1937, p. 2041 cited in D. Corbett, ibid., p. 108. Excerpts are mine.

72 House of Commons Debates, March 25, 1937, p. 2215 cited in D. Corbett, ibid., p. 108.

73 Cited in C. A. Ashley, ibid., p. 8.

74 House of Commons Debates, March 22, 1937, pp. 2042-3 cited in John W. Langford, "Air Canada," in ibid., p. 256.

75 House of Commons Debates, March 25, 1937, pp. 2210-1 cited in D. Corbett, ibid., pp. 111-2. Excerpts.

76 J. W. Pickersgill, The MacKenzie King Record, Vol. 1, 1939-44 (Toronto, University of Toronto Press, 1960), p. 645 cited in D. Corbett, ibid., p. 163.

77 The major sources for this section are: Sandford F. Borins, "World War II Crown Corporations: Their Functions and Fate," in ed., J. S. Prichard, ibid., pp. 446-75, and Privy Council Office, ibid., especially pp. 2-127 to 2-130. Another major source on this period is: J. de N. Kennedy, History of the Department of Munitions and Supply, 2 vols. (Ottawa, King's Printer, 1950).

78 In the literature, there is some discrepancy in the number of crown corporations created during the war. See Sandford F. Borins and Privy Council Office. I have adjusted the Borins numbers to include four others listed by the Privy Council Office. Note the employment numbers apply to only 28 crown corporations, which are cited in Borins, p. 447.

79 Sandford F. Borins, ibid., p. 450. Additions as indicated above.

80 Ibid., p. 462.

81 For a more detailed description of Eldorado Refining and Mining Ltd., and Polymer Corporations as war-time ventures, see Marsha Gordon, ibid., pp. 170-8. There is a brief discussion of the origins of Polymer in A. Tupper, ibid., pp. 301-4. Also, in Sandford F. Borins, ibid., pp. 465-99, there is a long discussion of the rationale behind maintaining Polymer in the public sector.

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83 Economic Council of Canada, ibid., p. 4.

84 Government of Canada, White Paper on Employment and Income (Ottawa, King's Printer, 1948), p. 4, cited in Sandford F. Borins, ibid., p. 461. Excerpts.

85 Government of Canada, ibid., p. 15, cited in Sandford F. Borins, ibid., p. 461-2.

86 See J.-L. Granatstein, The Ottawa Men (Toronto, Oxford University Press, 1982), and David Bond and R. A. Shearer, The Economics of the Canadian Financial System (Toronto: Prentice Hall Canada Ltd., 1972), pp. 272-5 for the origins of the Bank of Canada. For a more detailed discussion of the origins of the IDB, see A. Tupper, ibid., pp. 166-86. Note that on p. 171 he attributes to the 1939 Report of the Finance Committee of the League of Nations a major stimulative role in the creation of the IDB.

87 See E. P. Neufeld, ibid., p. 427.

88 The major sources of this material are: J. E. Hodgetts, "The Public Corporation in Canada," ibid., and Privy Council Office, ibid. In terms of other administrative developments, it should be noted that the passage in 1948 of the Industrial Relations and Disputes Act conferred on public corporations the acceptance of collective bargaining. They were required to do so ten years before departments. See J. E. Hodgetts, ibid., p. 222.

89 J. E. Hodgetts, ibid., p. 212.

90 J. E. Hodgetts, ibid., p. 217.

91 The major source for AECL is: "G. Bruce Doern and Gordon Sins, "Atomic Energy of Canada Limited," in ed., A. Tupper and G. Bruce Doern, ibid., pp. 51-94; the primary source for the material on the St. Lawrence Seaway Authority is: H.G.J. Aitken, "Defensive Expansion: The State and Economic Growth in Canada," in ed., W. T. Easterbrook and M. H. Watkins, ibid., especially pp. 212-7.

92 House of Commons Debates, March 31, 1952, p. 966 cited in G. Bruce Doern, ibid., p. 53.

93 The primary sources for this material are: T. H. McLeod, Public Enterprise in Saskatchewan: The Development of Public Policy and Administrative Controls (unpublished doctoral thesis, Harvard University, 1959); Crown Investments Corporation of Saskatchewan "Public Enterprise in Saskatchewan" (Regina, Saskatchewan Government, 1981); and, A. E. Blakeney, "Saskatchewan Crown Corporations," in ed., W. Friedmann, The Public Corporation (Toronto, Carswell Co. Ltd., 1954), pp. 93-107.

94 Hon. C. M. Fines, Provincial Treasurer, Budget Speech, March 2, 1949 cited in Crown Investments Corporation of Saskatchewan, ibid., p. 5.

95 T. H. McLeod, ibid., p. 121.

96 On this issue, see especially A. Blakeney, ibid., pp. 104-5.

97 See E. P. Neufeld, ibid., pp. 428-34.

98 For a more detailed discussion of the Manitoba and the Ontario Development Funds, see A. Tupper, ibid., pp. 186-94.

99 Economic Council of Canada, Intervention and Efficiency, ibid., pp. 4-5, and pp. 18-20.

100 See J. E. Hodgetts, "The Public Corporation in Canada," ibid., p. 202. Some commentators, such as Bruce Doern and Allan Tupper, have questioned the use of the word "pragmatic," arguing that it explains little. Moreover, they suggest that the so-called pragmatism is typical of the "middle-of-the-road liberalism" of the period.

101 J. E. Hodgetts, ibid., p. 210.

102 Lloyd D. Musolf, ibid., p. 7.

103 The primary sources for this material are: R. Parenteau, "Le cadre historique et institutionel des sociétés d'état au Québec," in Annals of Public and Cooperative Economy (March, 1983), pp. 57-67; and Aiden Vining, "Provincial Hydro Utilities," ibid..

104 See F. Rivest, "L'assurance-maladie au Canada : les raisons de l'implication de l'État," in Canadian Public Administration, Vol. 27, No. 1 (Spring 1984), p. 37.

105 John H. Dales, Hydroelectricity and Industrial Development: Quebec 1898-1940 (Cambridge, Harvard University Press, 1957), p. 30, cited in Aiden Vining, ibid., p. 159.

106 John T. Saywell, "One More River: An Essay of the History of Hydro-Electric Construction," Discussion Paper No. 20 (Ottawa, Economic Council of Canada, 1975), p. iv, cited in Aiden Vining, ibid., p. 159.

107 Pierre Fournier, Les sociétés d'État et les objectifs économiques du Québec : une évaluation préliminaire (Québec, Editeur Officiel du Québec, 1978), p. 92, cited in Aiden Vining, ibid., p. 161. Aiden Vining suggests that the words "la diminution des frais" indicate that provincial public enterprise also allowed the government a means to escape federal taxes on these activities.

108 "Liberal Premier Lesage's statement on Four Subjects," Gazette, November 12, 1962, p. 15, cited in A. Tupper, ibid., p. 150.

109 See A. Tupper, ibid., p. 304.

110 The main sources are: M. Gordon, ibid., pp. 31-3; and Aiden R. Vining, ibid., pp. 164-5.

111 See Aiden R. Vining, p. 164 and p. 185. M. Gordon notes that "In contrast, the combined takeover value of the eight privately owned companies nationalized by Quebec just two years later was only $360 million, versus the $650 million of B.C. Electric Limited." See M. Gordon, ibid., p. 31.

112 See Economic Council of Canada, Intervention and Efficiency, ibid., p. 65 and p. 89.

113 Economic Council of Canada, ibid., p. 65.

114 The primary sources are: E. P. Neufeld, The Financial System of Canada, ibid.; Marsha Gordon, ibid., pp. 122-42; and A. Tupper, ibid., pp. 186-93.

115 M. Gordon, ibid., p. 127.

116 The main sources for this material are: A. Tupper, ibid., pp. 29-59; and Roy George, "The Cape Breton Development Corporation," in eds., A. Tupper and G. Bruce Doern, ibid., pp. 365-88.

117 See Peter Morici, Arthur J. K. Smith and Sperry Lea, Canadian Industrial Policy (Washington, National Planning Association, 1982), esp. pp. 14-5 and p. 103.

118 Canada, Office of the Prime Minister, "Policy Statement on Cape Breton Coal" (Ottawa, December 29, 1966), p. 3, cited in A. Tupper, ibid., p. 50.

119 An Energy Policy for Canada: Phase I, Vol. I, p. 183, cited in A. Tupper, ibid., p. 51.

120 The main sources for this section are: G. Bruce Doern and James A. R. Brothers, "Telesat Canada," in ed., A. Tupper and G. Bruce Doern, ibid., pp. 221-49; and, A. Tupper, ibid., pp. 78-99.

121 Canada, White Paper on a Domestic Satellite Communications System for Canada (Ottawa, Supply and Services, 1968), p. 44 cited in A. Tupper, ibid., p. 87.

122 See Albert S. Abel, "The Public Corporation in the United States," in ibid., pp. 186-7.

123 Standing Committee on Broadcasting, Ministers, May 6, 1969, p. 1679, cited in A. Tupper, ibid., p. 94.

124 G. Bruce Doern and James A. R. Brothers, ibid., p. 244.

125 The main sources for this material are: Marsha Gordon, ibid., pp. 104-15; W. A. Dimma, The Canada Development Corporation, Diffident Experiment on a Larger Scale (unpublished doctoral thesis, Harvard University, 1973); and, Anthony E. Boardman, "An Evaluation of Canada Development Corporation" (unpublished paper, Macdonald Commission, 1984).

126 An Act to Establish the Canada Development Corporation cited in M.Gordon, ibid., p. 106.

127 See Ministry of State for Social Development, Press Release, CDIC, p. 2.

128 Major sources include: A. Tupper, ibid., pp. 278-301, and Larry Pratt, "Petro-Canada," in ed., A. Tupper and B. Doern, ibid., pp. 45-148.

129 Major source is: A. Tupper, "Pacific West Airlines," in ed., A. Tupper and B. Doern, ibid., pp. 285-317.

130 A. Tupper, ibid., p. 287.

131 The major source for this material is: Marsha Gordon, ibid., pp. 54-87.

132 M. Gordon, ibid., p. 78.

133 A. Tupper, ibid., p. 343.

134 Government of Canada, "Considerations which Affect the Choice of Organization Structure for the Canada Post Office" (Post Office, 1981).

135 See A. Tupper and B. Doern, "Public Corporations and Public Policy in Canada," in ed., A. Tupper and B. Doern, ibid., p. 33.

136 J. A. Corry, "The Fusion of Government and Business," Canadian Journal of Economics and Political Science 2 (August 1936), p. 309.

137 See Allan Tupper and G. Bruce Doern, "Understanding Public Corporations in Canada," in The Canadian Business Review (Ottawa, Conference Board of Canada, Autumn 1982), pp. 33-9.

APPENDIX 1

Government Corporations, by Date of Creation

The following is a list of government corporations with date of creation indicated. This material was prepared as part of the broader Economic Council Data Base prepared intitially by Jacques Carrière and later by Stephen Cain.

* Note the number 99 indicates that the year of creation was not identified.

Appendix 1

Government Corporations by Date of Creation

Name of corporation	Year of creation
Nfld Liquor Commission	49
St-John's Housing Corporation	49
Nfld and Labrador Service Corporation	49
Newfoundland Savings Bank	49
Newfoundland Hardwoods Ltd.	50
Nfld and Labrador Hydro	54
Nfld Fiberply Ltd.	59
Marystown Shipyard Ltd.	66
Hotel Buildings Ltd.	66
Power Distribution District of Nfld and Labrador	66
Harmon Corporation	66
Nfld Industrial Development Corporation	67
Nfld and Labrador Housing Corporation	67
Nfld and Labrador Development Corporation	72
Nfld Oceans Research and Development Corporation	75
Burgeo Fish Industries Ltd.	99
Elizabeth Towers	99
Nfld Fisheries Development Authority	99
Cooperative Development Loan Board	99
Corner Brook Housing Corporation	99
Nfld Farm Products Corporation	99
Industrial Development Loan Board	99
Corner Brook Housing Authority	99
PEI Liquor Control Corp.	48
PEI Industrial Corporation	49
PEI Industrial Enterprises Inc.	65
PEI Crop Insurance Agency	67
PEI Lending Corporation	69
PEI Land Development Corporation	69
PEI Market Development Corporation	72
Georgetown Shipyard Inc.	73
PEI Housing Corporation	75
PEI Lotteries Commission	76
PEI Grain Elevators	77
Nova Scotia Power Corporation	19
Nova Scotia Fishermen's Loan Board	30
Nova Scotia Liquor Corporation	30
Keltic Lodge	40
N.S. Research Foundation Corporation	46
Halifax-Dartmouth Bridge Commission	51
Industrial Estates Ltd.	57
Springhill Development Corporation	58
Digby Pines Hotel	65
Deuterium of Canada Ltd.	66

Appendix 1 (Cont'd.)

Name of corporation	Year of creation
Nova Scotia Farm Loan Board	67
Sydney Steel Corporation	67
Mainland Investments Ltd.	68
Tidal Power Corporation	71
Nova Scotia Lottery Commission	76
Waterfront Development Corporation Ltd.	76
Novaco Ltd.	78
Check Inns Ltd.	78
Small Business Development Corporation	81
Nova Scotia Resources Limited	81
N.S. Port Development Commission	83
New Brunswick electric Power	20
N.B. Liquor Commission	27
New Brunswick Research and Productivity Councilil	62
Fredericton Hotel Company Ltd.	62
N.B. Housing Corp.	67
New Brunswick Coal Limited	69
Algonquin Properties Ltd.	70
New Brunswick Transportation Authority	72
Provincial Holdings Ltd.	73
Lotteries Commission of New Brunswick	76
N.B. Development Corp.	99
Société des alcools du Québec	21
Office du crédit agricole du Québec	36
Raffinerie de sucre du Québec	43
Hydro-Québec	44
Office des autoroutes du Québec	57
Centrale d'artisanat	61
Sidbec	64
Caisse de dépôts et de placements du Québec	65
Soquem	65
Société de la Place des Arts de Montréal	65
Régie de l'assurance-dépôts du Québec	67
Société d'habitation du Québec	67
Société de radio-télévision du Québec	69
Loto-Québec	69
Société de cartographie	69
Soquip	69
Centre de recherches industrielles du Québec	69
Société du Grand Théatre de Québec	70
Société de développement industriel	71
Société de développement de la Baie James	71
Rexfor	71
Société de développement immobilier	71

Appendix 1 (Cont'd.)

Name of corporation	Year of creation
Société générale de financement	73
Société de télécommunications de la Baie James	73
Régie de l'assurance agricole du Québec	74
Société des traversiers du Québec	74
Société québécoise d'initiatives agro-alimentaire	75
Régie des installations olympiques	75
Société du tourisme de la Baie James	75
Société de développement coopératif (investissement)	77
Société de développement coopératif (opération)	77
Société de développement autochtone	77
Régie de l'assurance-auto du Québec (général)	78
Fonds d'assurance-prêts agricoles et forestiers	78
Société nationale de l'amiante	78
Société de développement des industries de la culture et des commerces	78
Société du palais des congrès de Montréal	81
Société québécoise des transports	83
Société générale de cinéma	83
Sereq	83
Office du crédit agricole (fonds forestier)	99
Régie de l'assurance auto du Québec (indesmnisation)	99
Sidbec (mining only)	99
Sidbec (manufacturing)	99
Ontario Northland Transportation Commission	2
Ontario Hydro	7
Province of Ontario Savings Office	21
Liquor Control Board of Ontario	27
Ontario Research Foundation	28
Ontario Stockyards Board	44
Ontario Junior Farmer Establishment Loan Corp.	52
Ontario Food Terminal Board	54
Ontario Telephone Development Corp.	55
Ontario Water Resources Commission	56
Madawaska Valley Telephone Co. Ltd.	56
Star Transfer Ltd.	60
Ontario Housing Corporation	64
The Crop Insurance Commission of Ontario	66
Ontario Development Corporation	66
Northern Ontario Development Corp.	70
Ontario Educational Communications Autorithy (TV Ontario)	70
Ontario Place Corporation	72
Eastern Ontario Development Corp.	73
Ontario Mortgage Corporation	74
Algonquin Forestry Authority	74
Toronto Area Transit Operating Authority	74

Appendix 1 (Cont'd.)

Name of corporation	Year of creation
Ontario Lottery Corporation	74
Urban Transportation Development Corp. Ltd.	74
Ontario Land Corporation	75
Ontario Energy Corporation	75
Ontario Share and Deposit Insurance Corp.	77
Idea Corporation	81
Ontario Waste Management Corporation	81
Metropolitan Toronto Convention Centre Corp.	81
Ontario Centre for Microelectronics	82
Ontario Centre for Farm Machinery and Food Proc. Tech.	82
Ontario Centre for Resource Machinery Technology	82
Ontario Centre for Advanced Manufacturing	82
Ontario Centre for Automotive Parts Technology	82
The Niagara Parks Commission	87
Ontario Student Housing Corp.	99
The Sheridan Park Corporation	99
Manitoba Telephone System	8
Manitoba Farm Loan Association	17
Manitoba Power Commission	21
Liquor Control Commission of Manitoba	23
A. E. McKenzie Co. Ltd.	45
Manitoba Hydro-Electric Board	49
Manitoba Development Corporation	58
Manitoba Agricultural Credit Corporation	59
Manitoba Agricultural Credit Corp. (fisheries)	59
Manitoba Water Services Board	59
Manitoba Crop Insurance Corp. (crop)	60
Manitoba Housing and Renewal Corporation	67
Manitoba Centennial Centre Corporation	68
Manitoba Public Insurance Corporation	70
Manitoba Lotteries Foundation	70
Manitoba Crop Insurance Corp. (hail)	70
Leaf Rapids Development Corp.	71
Moose Lake Loggers Ltd.	71
Manitoba Mineral Resources Ltd.	71
Manitoba Communities Economic Development Fund	72
Channel Area Loggers Ltd.	73
Manitoba Forestry Resources Ltd.	73
Manitoba Trading Corporation	74
Venture Manitoba Tours Ltd.	76
Leaf Rapids Town Properties Ltd.	78
Manitoba Energy Authority	84
Manitoba Oil and Gas Corporation	84
Manitoba Text Book Bureau	99

Appendix 1 (Cont'd.)

Name of corporation	Year of creation
Saskatchewan Liquor Corporation	25
Saskatchewan Power Corporation	29
Saskatchewan Minerals	45
Saskatchewan Fur Marketing Service	45
Saskatchewan Government Insurance	45
Saskatchewan Transportation Company	46
Saskatchewan Telecommunications	47
Saskatchewan Government Airways	47
Saskatchewan Guaranty and Fidelity Co. Ltd.	49
Saskatchewan Forest Products Corp.	49
Saskatchewan Research Council	54
Sedco	63
Saskatchewan Pulpwood	67
Saskatchewan Centre of the Arts	70
Saskatchewan Housing Corporation	73
Agricultural Credit Corp. of Saskatchewan	73
Saskatchewan Oil and Gas Corporation	73
Saskatchewan Computer Utility Corporation	73
Saskatchewan Mining Development Corporation	74
Potash Corporation of Saskatchewan	75
Agricultural Development Corp. of Saskatchewan	78
Saskatchewan Grain Car Corporation	79
Prince Albert Pulp Co. Ltd.	99
Saskatchewan Water Supply Board	99
Alberta Research Council	21
Alberta Liquor Control Board	24
Alberta Marketing Services Ltd.	34
Treasury Branches Deposit Fund	38
Alberta Industrial Corporation	46
St. Mary River Irrigation District	46
St. Mary and Milk River Dev.	46
Alberta General Insurance Company	48
Bow River Irrigation District	55
Alberta Municipal Financing Corporation	56
Alberta Government Telephone Commission	58
Alberta Commercial Corporation	64
Alberta Investment Fund	65
Alberta Resources Railway Corporation	65
Alberta Housing Corporation	67
Alberta Hail and Crop Insurance Corporation	69
Alberta Opportunity Company	72
Alberta Agriculture Development Corporation	72
Pacific Western Airlines Ltd.	74
Alberta Energy Company Ltd.	75
Alberta Home Mortgage Corporation	76

Appendix 1 (Cont'd.)

Name of Corporation	Year of creation
Alberta Terminals Ltd.	79
Alberta Motion Picture Development Corp.	81
Alberta Electric Energy Marketing Agency	82
Two Hills Chemical Co. Ltd.	99
Pacific National Exhibition	7
Liquor Control Board of British Columbia	21
British Columbia Railway Company	24
British Columbia Research Council	44
B.C. Hydro and Power Authority	49
B.C. Toll Highways and Bridges	53
British Columbia Harbours Board	68
Insurance Corporation of British Columbia	73
Ocean Falls Corporation of British Columbia	73
British Columbia Cellulose Co.	73
Plateau Mills	73
British Columbia Petroleum Corporation	73
British Columbia Development Corporation	74
Surrey Farm Products (Panco Poultry Ltd.)	74
B.C. Housing Management Commission	75
T.S. Holdings Ltd.	75
British Columbia Steamship Co. Ltd.	75
British Columbia Ferry Corporation	76
British Columbia Building Corporation	76
British Columbia Transit	78
Pacific Coach Lines Ltd.	78
Knowledge Network of the West Communication Authority	80
Metro Transit Operating Company	80
Expo 86 Corporation	80
British Columbia Place Ltd.	80
Housing Corporation of British Columbia	99
Toronto Harbour Commission	11
Hamilton Harbour Commission	12
North Fraser Harbour Commission	13
Fraser River Harbour Commission	13
Canadian Government Elevators	13
Canadian National Railways	19
CN (West Indies)	27
Farm Credit Corporation	29
Canadian Wheat Board	35
Canadian Broadcasting Corporation	36
Canada Ports Corp. (National Harbours Board)	36
Air Canada	37
Polymer Corp. Ltd.	42
Export Development Corp.	44

Appendix 1 (Cont'd.)

Name of corporation	Year of creation
Federal Business Development Bank	44
Eldorado Nuclear Ltd.	44
Canadian Arsenals	45
CMHC (general fund)	45
Canadian Commercial Corp.	46
Canadian Patents and Development Ltd.	47
Northern Transportation Ltd.	47
Northern Canada Power Commission	48
Crown Assets Disposal Corporation	49
Teleglobe Canada	49
Defence Construction (1951) Ltd.	51
Atomic Energy of Canada	52
Eldorado Aviation Ltd.	53
St. Laurence Seaway Authority	54
Yarmouth Bar Harbour Ferry	55
Windsor Harbour Commission	57
Nanaimo Harbour Commission	60
Seaway International Bridge	63
Thunder Bay Harbour Commission	65
Oshawa Harbour Commission	66
Canadian Film Development Corp.	66
National Arts Centre Corp.	66
Canada Deposit Insurance Corp.	67
Cape Breton Development Corp. (Ind. Dev. Div.)	67
Cape Breton Development Corp. (Coal Div.)	67
Royal Canadian Mint	69
Freshwater fish Marketing Corp.	69
Telesat Canada	69
Canadian Saltfish Corp.	70
Uranium Canada Ltd.	71
Canada Development Corporation	71
Pacific Pilotage Authority	72
Atlantic Pilotage Authority	72
Laurentian Pilotage Authority	72
Great Lakes Pilotage Authority	72
Port Alberni Harbour Commission	74
De Havilland Aircraft	74
Canadair Ltd.	74
Canartic Shipping Ltd.	75
Harbourfront Corp.	76
Loto Canada	76
Petro Canada	76
Via Rail	77
Jacques Cartier and Champlain Bridge	78
Nordair	79
Canertech Inc.	81

Appendix 1 (Cont'd.)

Name of corporation	Year of creation
Canada Lands Co. Ltd. (Montreal)	81
Canada Lands Co. Ltd. (Quebec)	81
Canada Post Corporation	81
Canada Lands Co. Ltd. (Mirabel)	81
Canada Museum Construction Corp.	82
Canadian Harbour Place Corp.	82
Cooperative Energy Development Corp.	82
Canagrex	83
Montreal Port Corporation	83
Canadian Sports Pool Corporation	83
Vancouver Port Corporation	83
Pecheries Canada Inc.	84
Halifax Port Corporation	84
Port of Quebec Corp.	84
Prince Rupert Port Corp.	84
CMHC (Insurance fund)	99
Consolidated Computers	99
Kayson Plastics and Chemicals	99
Cornwall International Bridge Co. Ltd.	99
Northern Ontario Pipe Line Corp.	99
Park Steamship Corp. Ltd.	99
CDC - Polysar Petrochemials	99
CDC - Kidd Creek	99
CDC - Canterra	99
CDC - Sentrol Systems	99
CDC - Life Science	99
CDC - Data Systems	99
Western Canada Lottery Foundation	74
Atlantic Lottery Corporation Inc.	76
Yukon Liquor Board	21
Northwest Territories Liquor Control System	39
Yukon Housing Corporation	72
Northwest Territories Housing Corp.	75

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